Daily Report

Latin America

FBIS-LAT-95-164
Thursday
24 August 1995

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Dominica Prime Minister on Cuban Funding of Airport

FL2408011095 Bridgetown CANA in English 2208 GMT 23 Aug 95

[FBIS Transcribed Text] Rouseau, Dominica, Aug 23, CANA — Dominica Prime Minister Edison James, expressing satisfaction at the outcome of the just-ended Summit of the Association of Caribbean States (ACS), has mentioned some of the projects his delegation pursued. One of the projects involves the financing by Cuba of an international airport on the island.

James told CANA Wednesday that that was one of the areas of discussion he held with President Fidel Castro while at the Summit in Trinidad. The Prime Minister said further dialogue on the airport was forthcoming, although a timetable has not been set.

"It's a process that has started. We are to take a certain course of action here (in Dominica) and back in Havana. The ambassador in Barbados, we will be in touch with him on the matter and take the process forward," James told CANA. He did not give further details on that effort.

James described Castro as a "very charismatic gentleman" who stole the show at the ACS summit. "Certainly he is a gentleman who knows his audience ... who recognises that people are looking at him ... that his country has been brought under some measure of pressure, and I think he was just happy to be part of the scene with all these Caribbean and hemispheric countries there," James said.

According to the prime minister, it was clear that people of the Caribbean and Trinidad were happy to have had Castro there. The ACS summit focused on trade, tourism, and transportation and James said he was able to hold much bilateral discussion on those issues.

"We just have to follow up on these bilateral talks with the view to getting some implementation."

The French, he said, have indicated some areas of cooperation.

"We expect to have a face to face, one-on-one meeting with representatives of the French Government here in Dominica ... not too long from now," he told CANA. According to the Dominican prime minister, Windward Islands prime ministers also took some opportunity to discuss developments surrounding the banana industry.

"There is this Cargill report (commissioned by European and Windwards governments) which is out with recommendations for the banana industry as it takes on the provisions by some of our funding agencies, and we will be meeting shortly in St. Vincent to look at the recommendations... and to look importantly at the question of marketing and moving into the activity of marketing as it affects our banana industry," James said.

Observers' Mission Extension 'New Step Toward Peace'

PY2308121095 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1759 GMT 22 Aug 95

[FBIS Translated Text] Brasilia, 22 Aug (AFP-NA) — A new step toward peace between Ecuador and Peru, which engaged in an armed confrontation in January and February 1995 over a 74-km stretch of territory in the Condor Mountain border region, was taken today, 22 August, in Brasilia, with the signing of an extension of the military observers' mission in the zone of dispute.

During a solemn ceremony held at Itamaraty (Brazilian Foreign Ministry), Ambassadors Cesar Valdivieso (Ecuador) and Alejandro Gordillo (Peru), and representatives of the guarantor countries of the border protocol between the two countries, signed the Definition of Procedures of the Mission of Observers.

According to the document, the MOMEP 2 (Second Mission of Military Observers between Ecuador and Peru) will patrol the demilitarized zone put into effect on 1 August (through the agreement signed in Lima on 26 July).

Outside that zone, the MOMEP will have to "verify the suspension of military operations and recommend the withdrawal of troops in order to avoid the resurgence of new tensions along the border between the two countries."

Brazilian diplomatic sources have said that after taking the steps established in the Itamaraty Peace Declaration of 17 February — such as the separation of troops, exchange of prisoners, and the demarcation of the demilitarized zone — the MOMEP'S Definition of Procedures "represents a giant step toward peace."

The document, also signed by representatives of the guarantor countries — Sebastiao do Rego Barros (Brazil), Julio Freire (Argentina), Heraldo Munoz (Chile), and Luigi Enaudi (the United States) — establishes that the Definition of Procedures "reflects a decisive moment in the peace process with regard to consolidating the solution of the military confrontation by making negotiations prevail."

The Definition of Procedures also establishes "the growing participation of military officers from the two countries in the MOMEP tasks, (which) will contribute to developing reciprocal confidence and bilateral dialogue."

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"The guarantor countries will thus admit, in a positive manner, the integration of general officers from Ecuador and Peru, named liaison officers of the two parties, in the first formal meeting of the Superior Consultative Committee of the MOMEP, which will be held in Lima on 24 and 25 August," the text adds.

It was also interpreted that "the participation of the liaison officers from Ecuador and Peru represents a first step toward the full institutional and operational inclusion of the military delegations from the two parties into MOMEP 2."

A diplomatic source explained that the tendency will be of a general reduction of the mission of observers, with an increasing participation of officers from Ecuador and Peru. The MOMEP 1 was installed in the zone of conflict on 9 March 1995 and their tasks were extended for three months, until the guarantor countries and the two parties decided to extend them until the Definition of Procedures.

Finally, the guarantor countries deplore "the loss of human lives in accidents that took place over the past few days, and stress the need to urgently conclude the work to clear the affected areas of mines."

Panamanian President Inaugurates Conference

PA2308192295 Panama City LA ESTRELLA DE PANAMA in Spanish 22 Aug 95 p 2A

[FBIS Translated Text] Prominent regional leaders said at the inauguration of the Fourth Central American Political Parties Conference, which was held here this Monday, that renovated, solid political parties that are open to the egalitarian participation of men and women are an important element to consolidate democracy and the peace process in Central America.

Panamanian President Ernesto Perez Balladares, Central American Parliament [Parlacen] President Augusto Vela Mena, Parlacen Political Commission President Hector Klee Orellana, and Celso Carrizo, the coordinator of the Panamanian deputies at Parlacen, participated in this event.

President Perez Balladares said peace, democracy, and the alliance to further sustainable development, which was agreed by the Central American presidents, will become utopias if they are not based on renovated, solid political parties that are open to the egalitarian participation of men and women.

He added that the region's main objectives cannot be achieved without a political structure that is a true reflection of its aspirations and without the real — not a cosmetic — participation of women.

"We find ourselves immersed in a critical period, marked by skepticism and distrust for political parties, where civilian society look for participation mechanisms in nongovernment organizations and local and municipal associations because they cannot find them in political parties," the chief of the Executive stated.

President Perez Balladares added that we are getting to believe that democracy is possible, and even better, without political parties as they are known today. Thus, civilian society, avid to participate in the decision-making process, look for the participation mechanisms it does not find in the parties in civic groups, nongovernment organizations, and local and municipal organizations. When a civic association manages to replace a political organization as the channel for citizen participation and becomes the interpreter of the people's will, it will become a political party even if its formal denomination indicates something entirely different, the chief of the Executive pointed out.

He also said that he is convinced we can face tomorrow's challenges more effectively with a sincere and straightforward exchange of our experiences, frustrations, and successes. However, the president added, only the political parties themselves can produce the necessary changes and further the participation that the civilian society is currently finding in other instances. This, he said, will not be achieved with theoretical arguments but by thoroughly changing the practices prevailing in political parties.

In this sense and taking into account our own experience, only by thoroughly changing the practices that currently prevail in the parties will we give more participation to the civilian society. "The lesson has been clear: the more democratic a political organization is, the more its members demand internal democracy," he observed.

President Perez Balladares highlighted that Parlacen is a meeting among friends, united by our lacerating concerns about the present and current aspirations for the region's future in the upcoming century. He said they will exchange opinions on peace, democracy, and the role played by political parties.

In Panama, the modernization of the political parties and getting men and women to participate is even more necessary because the country is readying itself to assume full responsibility for the operation, administration, and protection of the Canal, the chief of the Executive underscored.

"I harbor a well-founded certainty that Panama will be able to proclaim to the world that it is totally prepared to assume this significant responsibility even prior to

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31 December 1999," and that it will offer the world the same efficient service it has been accustomed to receive for more than 80 years, President Perez Balladares stated.

When this happens, the president asserted, Panama will not claim the merits only for itself because the glory also belongs to all the Latin Americans who have backed this cause with diplomatic and grass roots support during the negotiation years and with fraternal encouragement during the crucial transition years.

President Perez Balladares expressed his conviction that the issues to be discussed and approved at the Political Parties Conference will produce peace and the consolidation of democracy in the Central American region.

Parlacen President Guatemalan Augusto Vela Mena praised the integrationist vocation of the Panamanian people, who have contributed to the pacification of Central America. To this end, he highlighted the initiative of the Contadora Group that made constant efforts to further peace and democracy in the region.

Vela Mena emphasized that Panama had increased its efforts to further Central American integration, a process in which the political factor has been present with the participation of the parties that represent the political thought of the region.

Guatemalan Hector Klee Orellana, who is the president of the Parlacen Political Commission, assessed that Panama's role as the seat of this meeting must be valued in its proper dimension because it signifies the awareness of a nation that fully and dynamically participates with its political parties, for the first time ever, in the integration process.

Celso Carrizo, the coordinator of the Panamanian deputies at Parlacen, maintained that even with their differences, all the political parties are united by similar objectives: the advancement of development, social well-being, attainment of vital interests, and the strengthening of democracy and peace, among others.

He highlighted that this conference is based on integrationist principles inspired by the best wills of the region and, thus, "we participate in this meeting convinced that the challenges that the contemporary world poses to our countries can only be satisfied when Central American unity is achieved."

The Fourth Conference of the Central American Political Parties will meet in this city until tomorrow. It will discuss several issues related to the consolidation of peace, democracy, security, and sustainable development in the region.

Legislators, state ministers, and representatives of the diplomatic corps and international organizations accredited in Panama were also present at the event.

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Cuba

Castro Speaks at News Conference in Trinidad

PA2308205695 Havana Cuba Vision Network in Spanish 0035 GMT 23 Aug 95

[News conference by Cuban President Fidel Castro with unidentified Cuban reporters in Port-of-Spain, Trinidad and Tobago; date not given — recorded]

[FBIS Translated Text] [Reporter] Has this meeting exceeded the expectations you had when you came here regarding the Caribbean integration and its possibilities?

[Castro] Well, I considered this to be an important meeting especially from the political standpoint, because Caribbean countries have displayed a very friendly behavior towards Cuba. They have always been on the front line in everything related to opposing Cuba's exclusion from conferences, events. They have maintained a very independent policy, and I recognize and feel gratitude towards Caribbean countries.

Therefore, any event of this nature has a political character. Paying the fullest attention to such event is a show of gratitude towards them. But aside from these so-called sentimental factors, I believe that Caribbean nations have been at the vanguard in the process of union and integration in Latin America. Eric Williams, Manley and others always fought for unity. Naturally, they look at the map and analyze the situation each of them has; they are small countries exposed to large risks. They see themselves in the need to create a market for their own production. Some of them are countries with 50,000 inhabitants, others with 100,000 inhabitants, others with 100,000 plus inhabitants, others with population exceeding one million people. This is the case of Jamaica which must have a little over three million people, not including the Jamaicans living abroad who have emigrated to Canada, the United States, and other places.

They have had a very deep integration awareness, and they have worked in that direction. And within this integration, they do not conceive of Cuba's absence. This has been the cause of confrontation with the United States more than once. We must not forget that four Caribbean countries led the battle for Cuba's reintegration into Latin America. They established relations with us together with Panama. Mexico had established relations with us earlier.

You must now assess the difference between then and now, when we practically maintain relations with nearly all Latin American and Caribbean countries. We still do not have relations with some Caribbean countries, but everything leads to the full reestablishment of ties with Caribbean countries. They have played a role in that. They resisted the pressure opposing Cuba's entry into the Caribbean States Association [ACS] and overcame resistance. Thanks to them we were able to join in just one year ago. And this was the first meeting. This organization was not even fully established, but 17 countries had already ratified their incorporation.

Now, this institution is sui generis. It has a headquarters; it has a secretary general; it has a series of documents that have been approved and are beginning to be applied. It is advancing well and rapidly. We must recognize that Caribbean nations have a great deal of experience in this. Life has taught them and forced them to work in this direction. And that is why it can be said that the ASC is advancing rapidly, and I am under the impression that it will be an important organization. It will play an important, very necessary role at this time for the interests of all.

You saw that a large number of countries were represented and the results, the agreements are visible. In addition, serious discussions were held. That is why, in response to your question, I believe that the results of the meeting have exceeded by far what any of us would have expected.

[Reporter] Commander, I have always wondered — because we are talking about the greater Caribbean area or the Caribbean basin — how can the interests of small nation-islands be conjugated with those of large Caribbean basin countries, which even have other commitments? Wouldn't this be a difficult problem?

[Castro] The Caribbean bathes many of us.

Of course, those small Caribbean islands are the ones that need integration the most. We all have that need, but they need it more than anyone. Precisely because they are small countries. Although there are big differences between them. I have already compared Jamaica with other small islands in the Caribbean.

Now, many people are interested in the Caribbean. The Mexicans are interested. The Central American nations are interested. Panamanians, of course, they are Central Americans, Colombians, and Guyanese are interested in the Caribbean. The United States is very interested in the Caribbean. You do not have to demonstrate that, right? Europe is also interested in the Caribbean nations.

I believe that those countries to which you refer deserve special consideration. [words indistinct] to build a factory for national consumption, they almost have to build an artisan shop. However, if they are going to build a cement plant with a 300,000 ton capacity, they have to make a line for the minimum amount of cement that can be produced for these countries. On the other hand, in the energy sector, the electric power industry,

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you cannot build a plant which generates 10,000 kwh or 20,000 kwh. In order for a plant to be economic and efficient it has to have 100,000 or 200,000 kwh. They cannot communicate among themselves. The way for these countries to communicate electrically has not yet been found.

Marine and air transportation becomes a headache for these nations. Concern for the transportation issue surfaced many times during this meeting. In many cases to travel from one island to another neighboring island they have to travel to Miami and back. They have to sail for hours. Not sail, they have to fly many hours and return. Many times it is easier to travel to Europe than to go to a neighboring island. Those kinds of airlines exist, but they do not exist between them. Air and marine transportation, and economic development becomes complicated.

These countries understood that quickly. That is why the awareness of integration developed quickly among these countries, which were the last to gain their independence. They have advanced in that direction more than the Latin Americans who have wasted centuries. The Caribbean nations have advanced much with all these organizations. Each organization has its significance, has its task. They discuss jointly, they negotiate jointly, they support themselves mutually. They are states. They are small countries but they are independent states with voice and votes in the United Nations and other international organizations.

Of course, the Caribbean nations are the ones that need integration the most. They need it more than Venezuela, or Colombia. They need it more than those countries [word indistinct]. Central Americans also have their economic and trade agreements which are now subject to NAFTA, agreed on between Canada, the United States, and Mexico.

One has to see how they are affected by this, because they had adhered to a U.S. initiative called the Caribbean Basin Initiative. They also have certain agreements with Europe. Also there are certain contradiction with Latin America. For example, the question of bananas. They have their quotas with the [word indistinct] agreement.

Actually, the land which Caribbean countries have to grow bananas is small. They cannot really do much harm to the Central American, or South American economies of the countries which grow bananas. The banana [words indistinct] the apple of discord. I believe that one must act in a generous, not egoistical manner on this issue. I have made estimates. How many bananas do these islands produce? I asked the representative of Dominica. I believe they have 2,000 hectares, and every time a hurricane goes by it knocks down the banana trees. In addition, they do not have much water resources. They have no possibility of growing large quantities of bananas.

However, the fact that they have certain preferences in Europe has been motive for complaints by the Latin American countries. I believe that it is fair that the Caribbean countries have some preference, and let us reason fairly.

These countries have to make a living and I believe that we must all, one way or the other, contribute and fight so they can have adequate conditions for making a living. Now the future of the world is uncertain, as I told industrialists yesterday, because we don't know what is going to happen. Even some issues in which preferences [pauses] and I believe the SELA [Latin American Economic System] representative warned that Latin American countries must get used to the idea that there will not be preferences in the future. But a world without any kind of preference is not necessarily a fair world.

We also — we didn't call it preference but rational and fair exchange between countries — for many years received better prices than world market prices for our sugar, nickel, and other products. Of course, sugar in the Soviet Union was produced at a very high cost. Consequently, the purchase of sugar in Cuba was not onerous for the Soviets.

In addition, unfair exchange has been present. This is a real phenomenon in today's world which adversely affects Third World countries. That is why in the past there were agreements to protect coffee, cocoa bean, and sugar prices, as well as many other products that later disappeared, because the trend the new world economic order seeks to impose is the disappearance of every price scheme that benefits Third World countries. And the agreements that protected basic products have been greatly affected.

Consequently, we must see what role Third World countries will play in this world of competition, global economy. We were able to ponder that when we visited the petrochemical complex Trinidadians have here, in an area of abundant gas fields. There are very modern plants here, very well-designed, very compact, with very advanced technology, with very little workers. One can hardly see people there. These are investments requiring a large amount of capital and very advanced technology.

I wonder how will Third World countries compete in that global economy, in the face of the monsters who control capital and technology? I am also concerned over competition among Third World countries for

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bringing in capitals, a competition that has translated into making more advantageous concessions; one day this enterprise, tomorrow another, in order to bring investments. But what is left for the countries?

Many times there has been talk about 15- or 20-year tax concessions, or 5- or 10-year tax concessions. Even we, in our agreements for some investments, have been forced to make some small concessions, but we have had to do it at one time. However, we made some estimations. First, we fight so that the country can maintain a significant share of property. We do what we can to maintain a significant share of property so that part of that property is in part a national property. We also discuss other things in depth, such as the tax and fiscal system, because the country needs revenues. Revenue cannot only come from the workforce. And those revenues must be partly obtained in our capacity as owner of a percentage of that enterprise, and also through taxes.

Obviously, we must do all we can, we must do everthing we can with our resources so that these enterprises can be state property. We have already said that. But I see in this Third World the great struggle among multinational corporations.

However, there is more competition among countries than among multinational corporations in a desperate effort to attract investments. This forces some countries to make too many concessions. And at the end, they don't get much. Obviously, the situation is not the same in every country. There are countries which have many natural resources; others don't have natural resources. There are countries where investments flow more easily, given that abundance of natural resources.

But going back to the fundamental idea, what will be left for Third World countries in this global economy that has been designed and is being designed for all?

[Reporter] Does it fit you to have a little of the generosity you mentioned because the profitability...

[Castro, interrupting] Generosity (?forgets).

[Reporter] ...of the large countries which may have a preferential or generous treatment no longer exist.

[Castro] Nor of the large countries or the large multinational corporations.

[Reporter] For this reason.

[Castro] There could be multinational corporations. We are there. Many multinational corporations... We have discussed with them and with serious businessmen, but I know well and I know it well because of a law, a principle, which is earnings, profitability. And I must know and I must be patient enough to discuss it.

The reality is that our countries cannot do without foreign investment. If they lack capital, they lack technology, they lack markets, many times do not even have the experience in organization, production, and export of products. We are learning a lot about this from what we have read in the books when we faced today's reality.

We are satisfied with what we are doing because we feel we are doing so with a lot of sense of national interest, the people's interest, and without any despair. It is better to wait than to despair because if you despair, you may fall into the mistake of making too many concessions. These are today's problems, today's problems because in the near future, a tremendous competition will explode among the large economic blocs and... [pause] Everybody wants to become slaves, everybody wants to export. We must wonder where the buyers will be because we must have buyers in order to export.

Obviously trade has greatly evolved amongst industrialized countries, more so than amongst developing countries. We must yet see what will happen next, how the WTO will operate, what the outcome will be for the world when all preferences end. For the Caribbean nations this is very important, because they now risk losing certain advantages they had.

Therefore, they need more union and integration, although the effect may be different. Venezuela does not need that integration, but it will benefit from and is interested in it. Mexico does not need that integration, but it will benefit from and is interested in it. Cuba needs that integration more; it will benefit more and has more interest in it.

[Reporter] Regarding what you just said about Cuba, could you state how can Cuba contribute to the ASC and how will it benefit from this incipient Caribbean integration?

[Castro] What?

[Reporter] You said Cuba is interested in this association, and I would like to know what can Cuba contribute to this incipient ASC and how will it benefit from this membership?

[Castro] Well, I may try to answer your question but I think that [Foreign Trade Minister Ricardo] Cabrisas, who is here, is more familiarized with this and may offer a more precise answer than I.

[Cabrisas] I understand, in the first place, that Cuba will benefit from a relationship with a market that has certain potential, not only from the standpoint of trade but also from what was discussed regarding tourism and other

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services. On the other hand, these countries are really interested in Cuba's experience regarding its industrial development. They have expressed this interest in the different meetings we have maintained.

On the other hand, as has been stated, the Caribbean market, not the Caribbean basin but the Caribbean islands, has a great potential considering the fact most of its commercial exchange is made with countries outside of the region, both with countries from the North and Europe. And one of the trends that has been observed was precisely how that demand of the Caribbean market can be met from within [words indistinct].

[Castro] [Words indistinct] must not only be viewed from the material standpoint. From the material standpoint, for instance, we are producers of cement. We are producers of iron and we can export iron. We have developed the metalworking industry and, as a result, Cuba can export to those countries. Additionally, there are many more areas that we were able to develop for export, even mineral water.

They have a market for mineral water and we have excellent mineral water. And all these hotels and these million of tourists who come to the Caribbean need that mineral water. I don't know where they are getting it from nowadays, but there are real possibilities for Cuba. And there are possibilities for exporting fruits and other things.

Then we have technological and scientific exchange that can be useful. There are many possibilities in the agricultural sector. The Caribbean may be a market for our food products as we develop our agriculture. For some of those countries it is best to export sugar at a preferential price and to purchase sugar at a reduced price. The Caribbean may be a sugar market for Cuba; it may be a market for beverages, liquors, for the industry of bathroom fixtures, construction industry in general, not just cement. In other words, there are many real possibilities in the Caribbean, selling a bit here and there, in smaller or bigger markets.

For instance, we export iron to the Caribbean in small amounts for their construction needs. But also from here we import urea for agriculture purposes. They are the second largest world exporter of ammonium, and we need ammonia for direct application to the land or for producing some fertilizers in our country. In other words, there are real possibilities to develop trade with some countries more than others. [Words indistinct] the cultural aspect. There are little regions of the world with such cultural richness as the one the Caribbean has.

But I also think... [pauses] in the scientific area we may collaborate and also receive some benefits and breakthroughs they may have. For instance, the Barbados 4362, which was a very famous sugarcane in Cuba that was unfortunately lost later to the rust disease, emerged from a sugarcane station in Barbados. We may exchange some varieties of crops.

And then you must also consider the political aspect. The Caribbean is made up by a numerous group of serious countries, with an independent spirit, which play an important role in the United Nations and many more international organizations. Man does not live by bread alone. Not only the economic-commercial aspect is important. They are also interested in Cuba's support, because it will be fair and objective.

I already mentioned some contradictions that emerged, in the face of which, with an objective and fair judgement, we must adopt a specific position. And they may need Cuba's support in different international forums. And I am under the impression that they are very satisfied with Cuba. I am under the impression that they appreciate Cuba very much.

All these countries were very sensitive to the issue of apartheid, that abominable institution that existed in South Africa. One of the things for which they evidently admire Cuba most is for its struggle against the apartheid and its contribution to the defeat of apartheid. In other words, there are many factors that create these conditions. I believe the degree of friendship they have shown for us is growing and is already considerable.

In the past, they did not express themselves like that. In our struggle against the blockade, when a vote comes along in the United Nations, in the struggle against the blockade, when one must discuss in Miami if they go to Miami, the position of Caribbean countries was very good. Or if they must state their views in other international forum, the position of Caribbean countries towards Cuba has been very good. That has a tremendous value.

Is the struggle against the blockade only political, or is it also an economic struggle? There are many aspects in which both, we and they, may benefit.

[Reporter] Commander, you described a few moments ago as a reality that Caribbean countries trade more with third parties than among themselves. The United States is, by far, the main market for these Caribbean nations, not only in terms of goods but also in terms of the exchange of services. The United States has the largest number of tourists going to the region; it is the largest exporter and importer to and from the Caribbean. And the Miami port and airport are the central points for the transportation and [words indistinct] This must evidently change so we can join that association...

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[Castro, interrupting] It will not change like that. Most tourists are going to continue to come from the United States. And they will come to the Caribbean. It is good that there is a country... [pauses] tourists also come from Europe and Japan. I recently said that the day tourists come from China, they will not fit in the Caribbean or anywhere else.

And tourists come from Latin America; tourists come from Mexico. With the sinking of the blockade — it must disappear — we will also benefit from the arrival of U.S. tourists. We currently receive Canadians, Mexicans, Venezuelans, Argentines and Europeans, so this will continue to happen. As a rich country with a high per capita income, tourists from the United States will try to enjoy this area. This is not a negative thing. There will always continue to be important communication between U.S. and Caribbean cities.

But a different thing is the issue of communications among themselves. This depends on the airlines that may be established, the naval lines that may be established.

One of the aspects we discussed was how to improve air and sea transportation among the Caribbean islands, which would benefit all of us because participating in that undertaking is also advantageous for us. We have experience regarding the merchant navy and coasting vessels, and for years, Cuba has been somewhat trading with Caribbean ports in small vessels because we must use small vessels; we cannot use large vessels. Vessels must have the appropriate size to promote trade and air transportation.

We also have a tourism with multiple destinations, and we do our best to get people to stay two or three weeks. We have this tourism with Costa Rica and other countries, including Santo Domingo and other Caribbean countries. We also have this travel plan with Jamaica. What we must do is to try to get tourists to come for more than a week and to get them to spend one week in Mexico, another week in Costa Rica, another in Cuba, another in Jamaica, another in Barbados, and, in this manner, prolong the tourists' stay.

We also discussed the topic of the cruise ships. I have enormous misgivings about the cruise ships and we discussed this at the meeting. I asked some of them what are the advantages of cruises. They replied that it has advantages for cabdrivers and restaurant owners. They told me that these cruises somewhat promote tourism and spark an interest in tourism, allowing people to say that they have gone to a country or visited it for a second time. One of the participants said that the cruise industry had a capital of 50 billion [currency not specified] and that there were investment projects for 10 billion. One of these days they will make an island with beaches and everything. These crafts are not only floating hotels, but they are floating islands.

I believe that this industry's unbridled growth will unquestionably harm the interests of those countries whose tourism is based on shore, as was said at the conference. Cruises between this area and Europe are necessary and if we want European tourists, we need many cruise lines from Europe. If we want tourists from the United States, we need U.S. cruise lines, and the same applies to Mexico, Venezuela, Argentina, and all those countries that are more developed — some more than others — and some people in those countries travel more than others. For instance, I heard that it was more affordable for the Argentines to travel to Havana and spend 15 days there than going to Bariloche or any other tourist area in Argentina. Because of the dollar's current exchange rate, tourism in some of these countries has become quite costly, and this is why they prefer to come to our countries.

The ties you mentioned will be maintained; however, they will not have the same weight they have now. As tourism becomes more diversified and ties among the Caribbean countries themselves increase, these aspects will have a less decisive influence, but they will always be important.

[Reporter] Commander, you said in Cartagena de Indias last year that Cuba's membership in the ACS was part of the struggle against the blockade. Can we consider the step taken here as a victory scored by Cuba in this battle?

[Castro] I would prefer not to talk about battles won; I would rather be humble. I would describe this step as part of Cuba's successful actions against the blockade. It is only a part of our actions because we are interested in seeking unity and integration with the Caribbean countries based on our principles and other reasons unrelated to the blockade.

[Reporter] During your long working visit, you have met several leaders, including President Rafael Caldera and President Ernesto Zedillo. Could you tell us something about these meetings?

[Castro] My meeting with President Caldera was very useful because there were certain misunderstandings and certain frictions between Venezuela and Cuba, which were not suitable for either country. We had already witnessed several circumstances that demonstrated the goodwill by both Venezuela and Cuba to maintain normal ties and promote good relations. To mention several past instances, the Venezuelans greatly appreciated my

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attendance at the ceremony held in Old Havana to commemorate the anniversary of Venezuela's Independence. They have also acted on their own: they established contacts with Robertico [Cuban Foreign Minister Roberto Robaina] and each side has done its share to bring about satisfactory and useful exchanges.

During this conference, in which both Cubans and Venezuelans have common interests, we held a meeting within the framework of a spirit of friendship, cordiality, and respect. We discussed different topics, not only those linked to relations between our two countries, but also others related to this conference, the international situation, and the world economy. I believe our meeting was a positive and constructive one for Venezuela-Cuba relations, and this pleases us very much.

We did not have any such problems with Mexico. I had already met with President Zedillo in Mexico on the occasion of his inauguration. He was very kind. He invited me for dinner and we had a relaxing talk about very varied topics; we talked about politics in general and several topics linked to our own countries. I can assure you that I got quite a positive impression from my meeting with Zedillo. Zedillo is a serious man and a man of unquestionable chivalry. He exudes decency through his pores and all I can tell you is that we were quite pleased with this meeting. We should not be indiscreet, don't you agree?

[Reporter] A historic meeting has just concluded and it has prompted the need for reflection. What has been your greatest satisfaction, could it be perhaps being considered as part of the Caribbean area?

[Castro] We are so many things that no single aspect can be considered more important than the others. However, I am very proud of being from the Caribbean area. I also believe this meeting was a historic one, even though certain prominent leaders were not able to attend. Colombian President Ernesto Samper, whom we would have been quite delighted to see, was unable to come. Costa Rican President Jose Figueres was also unable to come and only a few Central American leaders were able to attend this conference. If more leaders would have attended, the meeting would have been more prominent.

In spite of this, the conference was a very serious one and the discussions took place within the framework of a novel style. This was not a conference of speeches, but it was one of exchanges of views. I had prepared a speech myself because I was expected to give two speeches: one — as it is often done in this sort of event — was a speech on behalf of a group of countries, while the other was on behalf of the Cuban delegation.

However, when it was my turn to give a speech, all the topics I was going to mention had already been discussed by experts and foreign ministers. They had amply discussed plans of action. All the topics that had already been discussed were also the ones I had outlined in my speech, although this was not as extensive.

Many of the things I was going to mention had already been discussed, agreed on, and the attendees had reached a consensus on them. When I realized this, I wondered: Why should I read a speech that had become stale in a few hours. There was a category described as general matters, and I decided to focus on that category to clarify several concerns that had emerged — among both well-meaning people and others who had been instigated by our enemies — that with the development of tourism, Cuba could become a monster that would harm the tourism industry on the other islands.

Consequently, I read the small portion — two or three paragraphs — I had written on this topic, but before doing this, I added an explanatory introduction saying that Cuba was not a competitor and should not be seen as one. I stressed a fact I believe you were later told: that the fact that France gets 60 million tourists does not imply that Spain gets one fewer tourist or vice versa. Rather, tourism is promoted and it grows everywhere, which should be the goal of all the participants to this conference.

We should seek quality tourism and cooperation among all of us, which far from cutting strength, could multiply strength and resources for our countries. By helping one another and by working together, we all reap benefits.

I referred to the sugar matter and what we did after they took all our sugar and distributed it everywhere. We continue increasing our sugar production until we reached 8 million [no unit of measure specified], and this did not harm any country's sugar production. I cited this as a case in point, as an example, and I was able to talk about this there.

In general, we held discussions in this conference and we exchanged views. Many people gave very good speeches, and these were not prepared speeches, but speeches that emerged in the heat of discussion. The other Caribbean leaders were well prepared; they spoke very well, with precision and definition. [Guyanese President] Cheddi Jagan delivered a very good speech, so did the prime minister of Jamaica and the prime minister of Trinidad and Tobago. The prime minister of Antigua and Barbuda spoke two or three times and emphasized the issue of the cruises. Many others also spoke; so many that it would be too long to enumerate.

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President Zedillo also delivered a very good and precise speech. It was a pleasure to listen to people talking with so much impartiality, sobriety, without a tinge of demagoguery, and focusing their remarks on the objectives of the conference. Although this conference was not a long one, it was fruitful, and this approach — I do not know whether it is typical of the Caribbean or if it is originally from Great Britain or who knows — turned out to be a successful method to guide our discussion. Therefore, it was a productive meeting; one can feel pleased with it.

[Reporter] [Words indistinct] this may lead to other meetings in the area?

[Castro] Did you see all the different cultures that paraded around here? [laughter] First, we saw the Indians who inhabited the Caribbean, followed by the Spaniards, the French, and the British. When one thought the parade was about to end, one would see a new sign and more people coming. We also saw the Dutch, people from the East Indies, Java, China, Syria, and Lebanon. I saw approximately 10 different cultures parade by and all of them were truly different. All these cultures reflected a history and a mentality, what an extraordinary cultural wealth! [Words indistinct], and I did not mention the African peoples, who played a prominent role.

The same holds true for the various methods and political systems; each people have their own style. But I do not want to talk about politics anymore, I believe I have talked enough about that. Once in a while, one finds demagoguery; a marked interest in playing a leading role, as it is referred to nowadays; foolish actions; and so on. One hears about everything in this world, all sorts of problems, and unfortunately, the problems seem to continue growing.

This can be easily achieved. Although, it depends... [pauses] Who knows? I do not know since I did not attend the summit in Miami [laughter] and I have not the slightest idea how that summit was organized. It is about time we started holding meetings of this sort. I do not know how the Nonaligned Summit will be, but it is about time we held meetings with less speeches. I am extremely grateful to this meeting because I have learned to be brief, [laughter] and I do hold several records, including my speeches in Copenhagen and Rio de Janeiro.

I was the one who spoke the least and I discovered that the less you talk the better, and not only because people appreciate conciseness, but because the topics are condensed. Many times, one should deliver a telegram instead of a speech. Delivering speeches should be simply elaborating on a telegram. Having discussions and exchanging views on concrete points definitely constitute a positive practice as was exemplified in this meeting.

[Reporter] Commander, I believe, however, one matter we do not have the formula...

[Castro, interrupting] Young lady, you have a lot of beliefs...

[Reporter, interrupting] I believe in many things. I believe the information problem among the Caribbean nations and what is said about the Caribbean nations must be resolved, because we must consider what so many agencies say. Perhaps Frank [not further identified] knows more about this. I did see, however, what was broadcast by many powerful television stations, which are the ones that truly reach people worldwide, and they actually downplayed — to the utmost — the conference and mentioned the topics quite sparingly.

[Castro] That is a common practice. They despise us, underestimate us, and do not give us any importance. If this were the meeting of the seven richest countries in the world, then all the dispatches would be about it. If 100 poor countries hold a conference, no one in the world cares. The meeting is sabotaged. As a rule, the world barely pays a meeting of this sort any attention and certainly, it is necessary to develop more communication and information.

This is one of the greatest injustices in the world: that some countries not only monopolize information, but they also monopolize the movies, documentaries, and recreational programs. Let us simply weigh the influence the United States exerts to this effect. The United States has almost swept aside Europe and, needless to say, the Caribbean countries. One of these days, the Europeans will have to begin worrying about the same problems you say are plaguing the Caribbean countries because there is a monopoly [words indistinct].

These are problems similar to the technology problems I mentioned before, and the United States has a monopoly in communications technology. No one knows how many satellites are out there moving around the world, communicating things instantaneously. Which Caribbean country has this resource? The same problem is always referred to: information, which is not delivered straight but is distorted and manipulated. How can we change this situation? The only way is to fight, because we cannot resign ourselves to this. We must use all available means for communication, to make sure that despite everything there is communication. [Words indistinct] a photograph for an autograph, a manifesto, a document, and then one has to make a book, one has to write, to explain, one has to use absolutely all the means

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available. Is that thunder or is it a volcano? Who knows? [laughter; several people speak at the same time] Oh, so then it's thunder.

[Reporter] Commander, we are very pleased.

[Castro] This interview is taking place at a time when we have gone through three consecutive days of extensive work, little sleep, no rest, constant activity, and logically, it has not been the same as if it had been given under different circumstances. I have had the goodwill...

[Reporters, interrupting] We are very grateful.

[Castro continues] ...to answer your questions. If I did not do it well, please let me know.

[Reporters] Many thanks.

U.K. To Fund Joint Development Projects

FL2308164895 Havana Radio Rebelde Network in Spanish 1155 GMT 23 Aug 95

[From the "Doing Radio" program]

[FBIS Translated Text] Cuba and the U.K. will conduct several joint development programs in different sectors in Cuba, financed by a special fund established by the U.K. government.

Raul Taladrid, Cuban vice foreign investment and economic cooperation minister, will attend a ceremony to be held today in the residence of the British ambassador to Cuba, at which these programs will become official. During the ceremony, the necessary funds to begin some of the programs — specially the one to benefit the National Tax Office, will be delivered.

35th CDR Anniversary To Pay Tribute to People

PA2208042195 Havana Radio Rebelde Network in Spanish 1700 GMT 19 Aug 95

[Commentary read by Lucy Ester; from the "National Radio News" newscast]

[FBIS Translated Text] A CDR [Committee for the Defense of the Revolution] fair along the Galeano commercial avenue this coming 26 August will mark the beginning of the campaign to commemorate the 35th anniversary of the CDR's, which includes productive tasks for defense and recreation. To whom will the event be dedicated this year? Juan Contino Azlan, national CDR coordinator and member of the Central Committee of the party, gave a response.

[Begin Contino recording] It is an homage and pays great tribute to the people. Almost all the activities to be held will acknowledge and recognize the people, who have been the main protagonists. The resistance we have shown during this special period, the history we have lived, the different moments we have lived, the elections, the vast march of the people in the capital during the "Cuba Vive" festival, the sugarcane cutting efforts that are being made, the efforts in internal financing, and the understanding shown for the economic measures we have had to implement during these years. It is for all of these reasons that we feel it should be a tribute. [end recording]

The campaign will close with a vast rally in the northern wing of the current Museum of the Revolution where virtually 35 years ago, Cubans sealed their fate together with Fidel and his revolution.

'Straight Talk' Examines Self-Employment Problems

FL2408002795

[FBIS Editorial Report] Havana Radio Rebelde Network in Spanish at 1600 GMT on 21 August carries it regularly scheduled "Straight Talk" program, with host Osvaldo Rodriguez and guest Luis Sexto from BOHEMIA magazine.

Rodriguez opens by explaining that the program has closely followed self-employment from its inception, as well as the distortions that unfairly label the self-employed as swindlers.

Sexto states that self-employment is experiencing "necessary, inevitable growth," but that it "is still regarded with a certain prejudice," mostly on the part of officials. Rodriguez explains that self-employment is often seen "as a vestige of capitalism, or reemergence of capitalism," to which Sexto adds that "self-employment, so long as it is based on self-effort rather than the efforts of others, carries no risk of turning the self-employed worker into a capitalist" and that "self-employed workers should be given the respect they deserve, for this is an honorable, legitimate effort, an endeavor that helps ameliorate the effects of the economic crisis."

Rodriguez asks Sexto to address the hostility of officials who resent self-employment, to which Sexto allows that self-employment is neither the greatest marvel, nor the solution to all problems, "but simply a strategy to help solve the effects of the economic crisis."

Rodriguez and Sexto point out that self-employment can prevail beyond the economic crisis and that "Fidel, in the closing address at the Cuba Alive Festival, stated that the state has no business repairing a pair of shoes."

Sexto remarks: "I believe we can defend the survival, the permanence of self-employment in Cuba within rational, regulated limits, to keep it within the aims of socialism, social justice, and the humanist projects of our

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Revolution." He adds that in certain municipalities, "officials have been instructed to hamper self-employment, to block the development of self-employment, which is why in some places it is a breeze, while in others it is not, and in others still, it is just so-so. There is no uniform implementation of this strategy," he continues, "which was designed by the government and approved by the party."

Regarding self-employment in Havana, Rodriguez states that shabby food stands are appearing everywhere, to which Sexto adds that a new resolution by the Havana Administration Council "seeks to limit such food stands" by listing locations where such stands are prohibited — "near hospitals, funeral homes, schools, recreation centers, museums, embassies, and other protocol areas."

Sexto defends food stands in front of hospitals, to serve patients who, on "many occasions, are instructed not to eat before having blood work done," and who appreciate having a place to catch a bite afterwards. Rodriguez protests that the city must be planning to set up a cafeteria. Sexto adds: "No, that does not seem to be the case. No one knows why the Administration Council of Havana decided this, but so far, it is being said that the problem of public food service in Havana will be solved, but will take at least a couple of years." Rodriguez asks: "They are going to ban the food stands before solving the problem? I do not understand this."

Sexto adds: "To me, it is illogical" because the ban tends to discourage self-employment, which not only solves the people's food needs, but "employment problems in this country," as well.

Rodriguez and Sexto stress that an explanation for this decision must be made, not to the self-employed workers themselves, but to the customers who require the service.

Sexto supports the resolution to ban food stands in front of hotels, however, since that competition could adversely affect state revenues. He comments nevertheless that "it is too easy to legislate against the people's needs." Rodriguez and Sexto conclude by stating that "mere administrative prohibitions are not the solution."

Construction Ministry Reports Profit in First Semester

PA2308200395 Havana Radio Rebelde Network in Spanish 1700 GMT 21 Aug 95

[Report by Carida Brada; from the "National Radio News" newscast]

[FBIS Translated Text] The Ministry of Construction [Micons] made a profit for the first time in its history. It closed the first semester with a profit surpassing 56 million pesos.

Ramon Rodriguez, first vice minister of Micons, made the announcement in Las Tunas. He said that this was the result of several measures applied to increase the overall efficiency of that ministry, which in the past lost more than 200 million pesos a year.

He recalled that in 1994 losses totaled some 43 million pesos, but in the first semester of 1995 the production, productivity and savings increased, making it possible to make a profit and reduce costs per peso to 75 cents.

Rodriguez stressed that during the first half of the year the production of the 135,000 Micons construction workers was worth more than 375 million pesos, which represents a 13 percent growth compared to the previous semester. He added that 291 projects and 1,500 houses were built during that period according to plans. At the same time, he noted, progress was made in self-supply production and in covering people's needs.

Report on Illegal Sale of Gasoline

FL1708013395 Havana Radio Rebelde Network in Spanish 2300 GMT 15 Aug 95

[From the "Exclusive" program]

[FBIS Translated Text] Today, Heidi Gonzalez Cabrera, "Exclusive's" roving reporter, will present a report on the illegal sale of gasoline.

[Begin recording] [Gonzalez] Good evening to you and to our listeners. As announced, in response to our many requests, we will begin a report on an issue that generates a great deal of irritation among our people — the illegal sale of gasoline. To discuss this issue, we have Frank Garcia Lopez with us, head of the People's Government's provincial service station [servicentros] enterprise in Havana City. My first question is does this enterprise control all the service stations?

[Garcia] No. Apart from the foreign currency network, which belongs to both (Servicupe) and (Cubals), there are dozens of service centers in Havana City. They belong to several organizations. Some have the typical construction of the service stations, and are therefore easily recognizable, while others are indoors at transport centers and other enterprises. Nevertheless, they also handle fuel and could also be susceptible to participating in the sales to which we are referring here. In any case, we must bear in mind that dozens of organizations have their own tanker trucks, which load directly from distribution centers and have nothing to do with the service stations. They are also part of this analysis you are doing.

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[Gonzalez] I would like you to explain the measures you are taking to guarantee that fuel will not be sold illegally.

[Garcia] The first measure was segregation of the service station network. As you may recall, several years ago, the service stations were mixed. I mean everyone would go to the same service stations. After the fuel situation worsened in Cuba, we were forced to separate the service stations, first into state and privately-run centers. Later, even among the state-run centers, we distinguished between those that guarantee the people's basic activities such as bread, milk, water, and community services. The other state-run centers were given a priority level two. So, the first measure was segregation, whereby private cars could not get fuel at state-run centers. This provided us with the ability to easily detect any violations, thanks to the implementation of these measures. The second measure is that the tanks' indicators, the fuel pumps' registers, the amount of money, and the fuel vouchers collected must all balance out. I must point out that even in cases where we have detected violations to this system, and after carrying out inspections, the results balanced out correctly. The workers who committed the infraction had received fuel vouchers — sold to them by unscrupulous people — and were able to back up the fuel's sale with vouchers and money. We have only been able to catch them after an unannounced [sorpresiva] inspection and immediately after the fact — the sale — because if we were to arrive later and carry out our inspection and audit it, we would find that everything would balance out correctly.

[Gonzalez] How old are the fuel pumps and is there any guarantee that they do not contribute to the situation?

[Garcia] I must say that the fuel pumps' technical conditions are very poor. These pumps have been in use for over 10 years. Their technology was not good even when they were new. They have been in operation for 10-20 years and without a proper supply of spare parts. They are not in good condition, and the equipment is not the most accurate on the market. Their purchase was motivated by the possibilities we had at the time. That is why we have this equipment at the service stations and practically throughout the whole country. This also affects the reliability of the amount of fuel delivered. This situation requires us to constantly carry out verifications. We call these verifications fuel-pump tests. It calls for one of our technicians to check that the amount of fuel being delivered by the pump is correct and that it is in line with the established decimal scale variations, plus or minus.

[Gonzalez] There are more questions I want to ask you. You have been very explicit. We would like to know the number of violations involving fuel attendants that you have detected.

[Garcia] During the first six months of this year, 5,716 inspections were conducted. The inspections' goal was not only to detect violations, but fundamentally — what we should be most concerned with — the quality of the service. These inspections are carried out to check the service being offered, that consumers are informed that a certain product is available, that they receive the correct amount of fuel, that their windshields are cleaned, and other services. These are services requested by consumers but unfortunately, we are not able to dispense these services everywhere with quality. These violations caused 112 workers and managers to be permanently sanctioned. As you can see, not only are there workers who commit infractions, but there are also mangers who do not ensure that things are done as they should be. When there have been flagrant, proven cases of illegal sales, in each and every case they have been fired. I would also like to point out that in many cases, we have received complaints. There is a mechanism to respond to this type of complaint ...[changes thought] In many cases, the consumers have come to us right here, both state and private consumers, expressing their complaints. There are mechanisms for responding in these cases. We have sent an inspector to accompany these people right then and there — with the consumer present — to determine whether there was a violation. Later, the consumer was informed of the measures taken in cases where there was a violation. In the first place, we do this as a sign of respect toward the consumers; and secondly, because it is an educational measure for our own people. They must be aware that there is no impunity if a violation is committed. Mistakes are analyzed and discussed. We always look for the best solution. However, when there has been no mistake, only ill will and bad intentions, the measures are usually exemplary.

[Gonzalez] Can a state service station sell gasoline to tourists or nationals in dollars?

[Garcia] No. The Havana City Province service stations are authorized only to sell fuel to state vehicles — with state vouchers or in national currency —or to private vehicles with their corresponding vouchers, and always in national currency.

[Gonzalez] Has this ever happened?

[Garcia] There have been cases where an unannounced inspection has caught... [pauses] in other cases a secret investigation has discovered this. In all these cases, the measures taken have been the same. The violators have

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lost their jobs. They were cases of theft because there is no official way of turning the foreign currency over to our enterprise. So anyone who does this must keep it for themselves because our enterprise does not have accounts in foreign currency. [end recording]

Vilma Espin To Head Delegation to Women's Conference

PA2208034895 Havana Radio Rebelde Network in Spanish 1700 GMT 18 Aug 95

[From the "National Radio News" newscast]

[FBIS Translated Text] Vilma Espin, president of the Cuban Women's Federation, will head the island's delegation to the fourth World Women's Conference to be held in Beijing from 4 to 15 September. We will battle all backward movements and will outline all our experience and achievements, Espin told GRANMA newspaper as she explained the intentions reactionary and conservative forces seek as they downplay the documents issued at the meetings preceding this world conference.

According to the Cuban female leader, women's reproductive health, services linked to it, economic issues, the growing feminization of poverty, the neoliberalism's negative consequences for women, the globalization process, and structural changes constitute the most controversial issues included in the draft of the platform of action that must be approved in Beijing.

In statements to GRANMA, Espin stressed that the Cuban delegation will take the same position it took at the events preceding this world meeting and that our delegates will use the same language and the same conviction the confederation maintained in its most recent congress.

Hart on Ethics, Morals, Politics

PA2308181195 Havana PRENSA LATINA in Spanish 0937 GMT 21 Aug 95

["Exclusive" article by Culture Minister Armando Hart Davalos: "Cuba: Ethics and Politics" for PRENSA LATINA by JUVENTUD REBELDE]

[FBIS Translated Text] The topic of ethics has become a fundamental political question. It is something observed at an international scale and at a domestic level in different societies. Civilization reaches the end of the millennium having lost major moral mechanisms and values that worked with enormous limitations and yet served to a certain extent as models for interpersonal, social, and political relations.

It is said that the dream of progress, the ideal of socialism, and the noble aspirations of national liberation that were present in the 20th century have given way to a kind "everything goes," which really means "nothing goes."

Within the United States, the loss of these ethical principles is primarily associated to the extreme right's advocacy. Neo-puritanism is linked with violence, and fanaticism with savagery. Fascism looms again with such ingredients. Repugnant and inhuman actions have been perpetrated even on the brazen grounds that they are meant to defend the right to life.

In the name of protecting the life of an embryo, abortion is rejected while at the same time the murder of abortion doctors has been defended and carried out. The same ones who are hypocritically defending intrauterine life are preventing reforms conducive to providing more economic resources to U.S. public health.

These situations occur in parallel with vandal actions, like the ones in Oklahoma and Proposition 187 in California, discriminatory of the most basic human rights, and bills such as the Helms-Burton one.

The question a Cuban can raise in the face of these facts is if U.S. civilian society and the best of its liberal and democratic tradition will have sufficient strength to rein the onslaughts of a "postmodern" Fascism.

Corruption and moral degradation are today invading the electoral structures and mechanisms of different countries, causing crisis in the party system that prevailed as a political culture of the past two centuries. A presentation of facts that reveal this crisis in contemporary society would be extensive. It is sufficient to note here that it constitutes a symptom of deeper problems that have their roots in socioeconomic contradictions.

It is obvious that Cuba cannot remain untouched by what is happening in the world. In this difficult period also, the topic of ethics appears before us as a practical demand of Cuban policy. That is why the speech by Comrade Esteban Lazo at the assembly held before the partial elections in July is so important to us. In that speech, he argued the matter as an essential problem for the country's domestic policy.

In Cuba's condition at this time, the matter compels us to make a profound reflection. I do not find, from the political standpoint, anything more practical to do. The problem must be broached from the foundation of the tradition that exists in Cuban culture.

Since (Felix) Varela, we have experienced a political evolution of deeply rooted ethical foundations. The aspiration for independence and the abolition of slavery that was alive in the process of gestation and ultimate development of Cuban thoughts and sentiments marked

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our history forever with the principles of justice and social equality that became paradigms without which our sense of nationhood does not exist.

Jose de la Luz y Caballero, pioneer of Cuban education, turned the value of justice into the sun of our moral world. This course reached its zenith with Jose Marti. During the first half of the 20th century, this ideal was pitted against corruption in public customs, despotism, and subservience and culminated in a higher dimension and in line with the political movement of the centennial [generacion del centenario] generation.

Ethics was a decisive element in that struggle. With the victory of the people on 10 January 1959, that tradition reached a qualitatively higher scope since ethics is expressed in a definite manner in the economic, political, and cultural transformation.

The concept of the Republic with all and for the good of all became linked with the idea of socialism and fixed as the basic nucleus of Cuban political morals. Ethics and social justice acquired an identity in the Cuban spiritual life.

From the universality that equality and the sentiment of justice acquire in social conscience is that one can begin to talk of a deep-rooted ethics for the times we are living. That is, a revolutionary ethics.

On that path, we can and must continue defending the socialist ideal. This ideal, in a social as well as economic visualization, contains universal values that Cubans hold in their moral conscience beyond specific contingencies. If one does not understand that certain ethical principles lie above these contingencies, one does not understand a thing.

At the same time, the needs imposed by the interests of 11 million Cubans and their descendants prompt us to defend the socialism ideal as a patriotic duty. Without this ideal, we could not understand the ethical demand of the current times nor take upon ourselves the interests of the Cuban nation.

Paraphrasing unique concepts, we would affirm that the socialist ideal is the instrumental reason of the Cuban nation. If we were to elude it, the imperialist voracity, ever ready to divide us, would dissolve us completely. One of the most expeditious formulas to achieve it would be to foster a selfish attitude and the denial of the values of solidarity.

What some do not understand is that from a practical standpoint imperialism does not want nor can it accept independent capitalism in Cuba, as it has accepted it in America. If Cuba were close to Australia, it would perhaps be hypothetically possible to talk about an independent capitalist system for the country. But here, on the border of the empire, our moral and ethical cohesion on the threshold of the 21st century unavoidably has to be founded in the socialist system. We must interpret this, however, in line with modern times and the historical experience of the 20th century.

As Fidel stressed in his memorable speech of this 26 July, it would be harmful and negative to renounce socialist thinking, as it is not only valid as a moral reason but also as a practical need for the development of Cuban society and as a shield to protect the fatherland from its enemies.

That way, the socialist aspiration constitutes in a natural and overall manner an ethical or moral principle for the nation, although it is not necessary nor possible to impose it abruptly.

What is more, socialism as a universal social idea can only overcome its current crisis based on an analysis of what is ethical. We must discuss this at all levels, from the philosophical to the practical level. Life bitterly showed us that from this area arose the profound causes that led to the rupture of the Marxist interpretation of history that had been in force in the past decades.

Given the economic difficulties and differences that the special period inevitably brings, the country is forced, as our leaders have proposed, to center the political work on the ethical question. We may have and have economic difficulties and inequalities, but we must never cease striving to overcome them. From the standpoint of our Cuban convictions, the principle of equality cannot be renounced.

The loftiest moral aspirations are not, of course, easy or simple to bring to fruition, but the practical and objective difficulties that exist must not make us forget Marti's warning that extreme poverty may go away but dishonor lasts forever. In the exercise of virtue, in the cultivation of ethical responsibility, and in the multiple development of our moral tradition oriented and fostered in their broadest social scope there are wonderful and no longer postponable challenges that we will be able to overcome.

Center for American Studies on Defense Law

PA2308134895 Havana PRENSA LATINA in Spanish 0657 GMT 19 Aug 95

[Report by Isabel Jaramillo E., researcher of the North American Department at the Center for American Studies, CEA]

[FBIS Translated Text] In general terms, the defense organization corresponds to the country's political structure. Also, national defense is not an end in itself but

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has the objective of giving security and preserving the independence, sovereignty, and self-determination of a country; issues that are not dissociable.

For this reason, Law No. 75 on Cuba's national defense is part of the legal structure to defend the island as soon as threats against its stability and security are perceived.

It is imperative that Cuba have a defense policy because of its closeness to the United States and the long history of a policy that continues to be hegemonic in nature even after — what some believe is — the "end of the Cold War."

Those who think nothing is debated in Cuba, especially issues, such as security and national defense, which for any country are usually sensitive ones, would have been pleasantly surprised with the frankness in which such issues were presented to the defense commission of the National Assembly of the People's Government [ANPP]. The specialists, both civilian and military, gave extensive and detailed answers to the questions posed by the people who attended a meeting to this effect.

The meeting to analyze and debate the new law was attended by law school students and professors from the University of Havana; members of the Armed Forces, Interior Ministry, and National Police; and several ANPP defense commission members, who were in charge of the debates and the guests.

The debates were headed by Division General Guillermo Rodriguez Del Pozo, president of the ANPP defense commission.

The origins of this law go back to the 1980s, when a change occurred in Cuba's defense doctrine, based on the fact that the island could not depend on the USSR and the Socialist sector for its defense.

In discussing this issue, the interview given by Army Gen. Raul Castro to a Mexican publication, which was published by the Cuban GRANMA newspaper on 22 April 1993, should be required reading. Gen. Castro expounds on the origins of the Cuban military doctrine in this interview.

At the same time the Cuban defense doctrine — which was strictly of a defensive nature — was being redefined. A conclusion was reached regarding the need to have a legal corps to validate and conform to the new international situation; the needs imposed on the nation by the tensions resulting from the changes that were taking place in the island, regarding its future insertion in the international sphere; and the defense of the achievements of the social justice program developed since 1959.

The drafting of the bill was a meticulous task done by a commission appointed for that purpose, which had to delve deeply into prior similar laws on an international and national level regarding measures related to the planning of the economy, the military industry, the work force, and all aspects of society which involved a war situation or a state of emergency.

During the course of this task, a conclusion was reached that the law had to include all topics regarding the defense of the country, even though specific regulations regarding some of these topics might already be in effect.

To legislate on such sensitive issues implies intense discussions, and this bill was debated on numerous occasions during seven years. During that period, 23 proposals for the bill were drafted. The final version finally went into effect on 24 February 1995.

During the debates, there were two main issues: everything which pertained to the defense bill, and everything which was related to the state of emergency.

The bill began to take shape following extensive consultations with the council of ministers, the people's provincial government organizations, ANPP deputies, and professionals in constitutional, legislative, and international laws.

Among the new topics of the law — which show flexibility and consideration for individual and collective needs — matters related to military service stand out. For example, military service has been reduced from three to two years, an age limit has been established for military service, and alternative ways for reckoning years of service have been established.

Among those considerations which led to this last modification were religious beliefs of some recruits. This means that soldiers receive a salary and are not confined to a military unit during their time of service. That is the case of the recruits that guard the Colon Cemetery and the Zoological Park.

Another novel thing is a series of aspects related to civil defense, above all in military aspects. Legislation on the topic dates back to 1976 and was expanded in order to regulate the measures dealing with natural and weather disasters, which are constant factors in the country that frequently pose exceptional situations, be it locally or throughout the island.

Another novel thing refers to the regulation of state obligations in terms of preparing the country in all aspects for the defense of the economy.

Law No. 75 of national defense needs a broad complementary law that is currently being drafted and which

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must be passed in 1995. In the meantime, the existing temporary rules that do not conflict with the text of the new law remain in force.

The complementary laws may include a law decree on civil defense and another on military service, a regulation for the national defense council, and special laws for exceptional situations and for the country's economy, to encompass all of national territory in terms of demands and necessary rules for territorial defense. As is established in Article 5, "all the resources and activities of the country, independently of their nature, may be used by the government of the Republic to satisfy the needs of national defense during exceptional situations."

In the case of laws related to the state of emergency, Law No. 75 abides by what is established in the reforms to the 1992 constitution. For the drafting of this law, international laws were consulted and a study was made of specific laws of diverse countries. The same occurs currently with the case of complementary laws that are being drafted.

The complementary legislative text that will accompany Law No. 75 of National Defense will include questions related to dispositions and exceptional procedures and decree laws dealing with penal jurisdiction in times of war, because in this case the laws on trials and criminal code are modified, giving way to the enforcement of special laws.

Chapter II, Article 10 of Law No. 75 refers to different rights and regulations in the case of exceptional situations.

Regarding the system of arrests, complementary laws establish dispositions and procedures that are different and determine when and how an individual is taken prisoner. Also dispositions related to the productive process in times of war (factories, plants, etc.) and matters such as regulation of the protection of the country's cultural heritage the most controversial, was drafted in accordance with the rules of international law.

Cubans Cannot See 'World Without Castro'

MS2308123895 London THE GUARDIAN in English 23 Aug 95 p 10

[Article by Jonathan Freedland: "The Great Dictator Keeps The Faith Unto The Very End"]

[FBIS Transcribed Text] Fidel Castro turned 69 last week, but there were no street parties, and state television broadcast no eight-hour tributes. In fact, the date passed almost unnoticed.

For, although Dr Castro has spent more than half his life as president, chief and supreme commandante of Cuba, and though he has gone from being the world's youngest dictator in 1959 to the world's longest-serving one, he is said to dislike the cult of the personality.

Havana folklore tells of his late-night forays to quietly remove pictures of himself in the first, heady days of the revolution. Even now the city is strikingly free of giant hoardings of his face — a fact which, along with the sheer colour and exuberance of the people themselves, has always made depiction of Cuba as a Caribbean eastern Europe hard to sustain.

And yet he is everywhere. In conversation, Cubans refer to President Castro merely as Him. Occasionally they mime a beard — and everyone knows who they mean. He is on the (nearly worthless) banknotes and is the central figure in the huddle of revolutionaries on the masthead of GRANMA, the state-run daily paper.

What is more, no friends and few enemies talk about life without him. It is as if the mere imagining of such a thing breaks a superstition. Cubans say they want him to leave, but say it only in whispers. Indeed, one of the biggest flaws in the arguments of those who say the Cuban system is dying is the strength of Dr Castro himself.

"He is very active," says Carlos Fernandez de Cossio, a rising star in the Cuban government, whose dashing, thirtysomething good looks and perfect English have made him a natural to take charge of relations with North America. "He swims a lot; he exhausts the people who work with him."

The propaganda also tells you that the president plays basketball with his bodyguards, works out in the office and is fond of a little underwater diving. Boiled down, the message is: Don't hold your breath, Fidel ain't going nowhere.

"Occasionally he says 'I'm tired'," admits Mr Cossio. "But he says it would be cowardly to step down now, when we face this challenge." President Castro feels obliged, he adds, to see his country through the "special period", the era of post-Soviet poverty.

The result is that in Cuba there is little of that old communist commodity. Kremlinology. There is no obvious succession, nor much of an effort by analysts to divine potential heirs. Instead, they assume Dr. Castro is the man until he dies or the system falls — which may well be the same thing.

The party line is that Fidel's brother Raul will take over should the need arise. As first vice-president and effective head of the military he has a substantial power

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base, which has looked after itself well despite the rigours of the "special period". The armed services have been soothed by a large stake in agriculture and control of Gaviota, one of the state's big tourism operations.

Carlos Lage is young and powerful, responsible for the day-to-day management of the economy. Alongside him is the older Ricardo Alarcon, the head of the national assembly, and Ulysses Rosares, the military chief of staff. The former young communist leader Roberto Robaina has made a splash as foreign minister. But analysts say these men — for women are embarrassingly absent from Cuba's socialist government — are not jostling for future glory.

"I don't find anyone really hungry for power," says Wayne Smith, former head of the US interests section in Cuba. When the moment comes, "at least 10 years away", he foresees some kind of collective leadership. "Maybe because Castro has dominated for so long, there's a certain fear of power," he says.

Even Cuba's small dissident groups seem to struggle to imagine a world without President Castro. The opposition is tiny, crippled both by the flight to the United States of so many potential recruits and by the enduring state repression.

Elizardo Sanchez, aged 51, is one who has survived. He has spent nearly nine of the last 15 years behind bars, and holds court in his humble home in the Marianao district of Havana. He has built a reputation as Cuba's leading voice of dissent: when the Guardian came to call the Danish foreign ministry and Georgetown University were just leaving.

Mr Sanchez is keen that Westerners are not taken in by the economic changes in Cuba. "The government has not given economic liberty to the Cuban people, only permission", he says — licences and permits which can be withdrawn as quickly as they were granted. When visitors praise the new private markets, he reminds them that Cuba had markets until they were closed in 1986.

There are, he concedes, some openings. The Roman Catholic Church has started classes in democracy, and the recently elevated Cardinal Jaime Ortega has urged greater freedom. An association of economists has been formed, publishing its research abroad. The Masons' grand lodge in central Havana has reopened its library.

But this new civic space is just a crack, says Mr Sanchez. "The pressure of the secret police is permanent and sometimes brutal," he says, unfurling a map to show Cuba's 300 prisons — proportionally the highest number in the world. He estimates there are as many as 5,000 political prisoners.

Despite this, Mr Sanchez is looking to President Castro for change. For he believes Dr Castro is the only figure capable of turning Cuba around, of leading an orderly "national reconciliation". The alternative, he says, is too bloody to contemplate: Cuba is awash in weapons and Cubans are well-trained in using them.

On this, the dissident and the minister agree. Mr Cossio says no other Cuban has the "personal, moral authority of Fidel Castro", whose power, he adds, is separate from his office, the power of a national icon.

"In some countries it is an actor. In others it is Madonna or someone," says Mr Cossio. "Here it is Fidel."

There's the rub. In this, as in the absence of Big Brother hoardings, Cuba differs from pre-1989 eastern Europe. There the communist regimes were at odds with national pride, seen as craven tools of a foreign empire. But in Cuba, Dr Castro is the symbol of national resistance to the giant next door. He has merged communism, nationalism and himself into one irresistible whole — that is why toppling him would come so hard to the Cuban people.

Instead of portraits, Cuban walls carry graffiti. The latest slogan swears "Fiel" or faithful. But the middle letters are formed by the Cuban flag, with its distinctive triangle. That way, from a distance, you can see one big name: Fidel.

Haiti

Lavalas Coalition Wins Runoff; Round Scheduled for 17 Sep

PA2308213595 Port-au-Prince Radio Metropole in French 1045 GMT 22 Aug 95

[From "The Morning Newscast"]

[FBIS Translated Text] The lavalas coalition, supporting President Jean-Bertrand Aristide, scored a decisive victory in the runoff elections of 13 August, held in 21 districts to complete the 25 June ballot. Lavalas candidates won 10 districts and 11 Chamber of Deputies seats. The senators-elect include Renaud Bernardin, former planning minister and President Aristide's close friend. The lavalas coalition holds 11 of the 27 Senate seats following completion of the first round. Seven seats will be filled during the second round. Nine of the senators elected in 1990 will remain in office until 1996. The lavalas coalition will be the most important block by far in the Chamber of Deputies — where the head of state used to be in the minority — already holding 27 of 83 seats. Lavalas coalition candidates are expected to win in the districts to be voted on in the second round.

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[Port-au-Prince Radio Metropole in French at 1900 GMT on 23 August adds: "The Provisional Electoral Council [CEP] has confirmed that the legislative runoffs will be held on 17 September. The CEP communique explains that the final list of candidates entitled to participate in the ballot and the electoral timetable will be published in the next few hours. Seven seats in the Senate and 56 in the Chamber of Deputies remain to be filled. CEP President Pierre Michel Sajous met the press yesterday and called on all factions of Haitian society, notably the political parties, to cooperate for the good of the ballot."]

Finance Ministry on State of Economy

95CA0346A Port-au-Prince LE NOUVELLISTE in French 17 Jul 95 pp 1, 14

[Report titled "Note on Current Economic Situation by Miistry of Finance"]

[FBIS Translated Text] In June, the country's economic situation evolved as anticipated and within the framework of the rigorous application of guidelines drafted as part of the government's economic and financial plan.

The positive trend of economic indicators reflects the effectiveness and soundness of the fiscal policy being pursued by the Administration. The goal of reducing inflation was achieved at the beginning of the quarter. According to data from the Haitian Institute of Statistics, the rate of inflation was 3.9 percent in April and the figure should not exceed seven percent by the end of the current fiscal year if the trend continues. Prices have risen by one percent during this period.

The gourde maintained a certain stability over the third quarter vis-a-vis the American dollar. The exchange rate varied between 14 and 15 gourdes from October 1995 [as published] to the present. The exchange rate in August 1994 was 21/$1. The priority of monetary authorities in terms of the exchange rate had been to build official reserves. In May, those reserves totaled 2,029,000,000 gourdes, surpassing the goal set.

Revenue increased steadily from April to June at an average monthly rate of 188 million gourdes. Receipts totaled 264 million gourdes this month. By the end of the third quarter, fiscal receipts amounted to 634.24 million gourdes. These figures bear witness to a net increase over the preceding quarters of 385 and 564.9 million gourdes respectively.

These positive results are mainly due to the modification of the rate of adjustment of the bonded Customs value and the application of a one-percent deposit on all imported products.

Government spending increased over the first two quarters. Reasons for the increase are: selective wage increases and the granting of a 50-percent bonus in April, the effort to decentralize government, financing for police deployment, and equipment expenditures for the ministries. In addition, the government had to bear the cost of organizing the 25th General Assembly of the Organization of American States [OAS] and be responsible for severance pay to employees of Haiti's Cementworks and Flour Mill.

During the third quarter, the special emergency program financed activities in various branches of government. Some 127,718,459.14 [as published] gourdes were allocated to the various ministries and other departments of the Executive Branch.

Nevertheless, operating expenditures dropped considerably in June 1995, going from 294.7 million gourdes in April to 91 million in June.

During that same period, the investment program financed directly by the nation's treasury was resumed. Funds were channeled into the Economic and Social Assistance Fund [FAES], education, road repair, the development of hog farming, the EPPLS [expansion not given] low-income housing project, and other similar endeavors. A total of 136.3 million gourdes were devoted to such programs. Also during the third quarter, the Central Management Unit [UCG] that handles part of the emergency plan financed by the Inter-American Development Bank [IDB] launched 12 projects to repair and rehabilitate existing infrastructures. The UCG was to spend 73 million gourdes on agricultural and infrastructure projects in the month of June alone.

From April to June, the deficit on the books totaled 509.8 million gourdes, an increase over the preceding two quarters. That deficit was financed by contributions from USAID, the IDB, and the World Bank.

Nor was the government forced to resort to Central Bank financing during this period. Net internal loans decreased by 75 million gourdes over the course of the third quarter of the current fiscal year.

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Zedillo Endorses Debtors' Support Agreement

PA2408045795 Mexico City Radio Red Network in Spanish 0000 GMT 24 Aug 95

[Speech by Mexican President Ernesto Zedillo at Los Pinos Presidential residence in Mexico City; from "The Night Monitor" newscast; broadcast in progress — live relay]

[FBIS Translated Text] ...agreement for support of debtors, which bankers and financial authorities have reached to face one of the economic problems that has affected small and mid-sized companies and Mexican families the most. This problem, as you know, is not recent. It surfaced many years ago, although certainly it is a problem that heightened with the emergence of the financial crisis last December. It is a problem that has been the cause of great attention and concern on the part of the government. Precisely because of its complexity, several programs have been implemented to alleviate it. Such programs have been in effect at different times.

Now, thanks to the effort of all, the rigorous application of the adjustment program is yielding its initial results. It is possible that the government will promote this important agreement and will participate in it by endorsing it. It is very satisfying that the agreement essentially benefits debtors, who have fewer resources. It is very satisfying that the agreement is fair, because it benefits both those who have been forced to stop paying, as well as those who have kept up with their payments. It is very satisfying that the agreement is equitable, because the banks are assuming a substantial part of the cost associated with its implementation.

The agreement is socially responsible and economically congruous, because it conciliates the protection of the patrimony of families and the viability of Mexican companies with the fulfillment of the program to overcome the crisis. The agreement is complete, because it will grant reductions in interest payments, will pardon interest on delayed payments, will establish ceilings for debtors' payments of structured liabilities, judicial truces, and limitations on the additional guarantees that may be requested by the banks. The agreement, as has been explained here, can be applied to the majority of debtors, with a total possible benefit for almost six million who have debts below 200,000 pesos and with a partial benefit for almost 1.5 million debtors with larger liabilities.

The agreement, far from undermining, strengthens the solvency of the banking institutions that guard and repay the savings of Mexicans. No agreement that does not fulfill this condition would be acceptable to the government of the Republic. It is also fundamental to recognize that this agreement offers general incentives so that debtors and creditors can reach adequate solutions in each particular case. It will be up to each bank and each debtor to find the best solution for each case. It is equally important to recognize that the application of this agreement and the ensuing alleviation that will be implied for the debtors, will be possible only thanks to a significant contribution of public resources, which will be given over several years.

In order to keep the fiscal discipline that is essential for a healthy economic growth, we will need to sacrifice other public expenditures to support this agreement. Creditors and debtors must appraise, in all its magnitude, the effort the government of the Republic is making today to make this program possible. Once more, I must stress that we will firmly remain in the path of fiscal and monetary discipline. This is the only possible route toward economic growth with price stability.

Populist, authoritarian, and confiscatory measures against Mexicans' savings will have no place in my government's economic policies. The interest rates the financial intermediaries pay to their depositors will continue to be freely determined in keeping with the objective of strengthening and making the domestic savings much needed to promote economic growth take root in our country. Today, we support this agreement, because we know it is essential to lay the economic recovery on solid foundations. We are responsibly doing it, because as we made the decision, we realistically and objectively appraised the Mexican economy's future prospects. We are doing it in the belief that the agreement we are signing today constitutes another step toward the solution to the crisis and toward the permanent and sustained reactivation of economic activities. We are doing it because it is part of the path we must follow to create the jobs Mexicans are rightfully demanding. Thank you. [applause]

Government, Banks Sign Agreement To Benefit Debtors

PA2408014995 Mexico City NOTIMEX in Spanish 0059 GMT 24 Aug 95

[FBIS Translated Text] Mexico City, 23 Aug (NOTIMEX) — The Mexican government and banks today signed an agreement on a broad program aimed at solving the problem of overdue repayment of bank loans, a program that will benefit six million debtors owing payment on 75 percent of all loans.

Through a slackening in the flow of payments, a quicker solution to the financial crisis that was unleashed in December 1994 will be promoted, Finance Secretary

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Guillermo Ortiz said as he announced the program during a ceremony held at Los Pinos Presidential Palace.

The program, which goes into effect on 1 September and which ends in September 1996 for certain credits, includes a legal moratorium for debtors, preferential interest rates, forgiveness of overdue interest, and credit rescheduling.

Secretary Ortiz and Jose Madariaga Lomeli, president of the Mexican Association of Bankers, signed the Agreement on Immediate Support to Bank Debtors in front of President Ernesto Zedillo and business and agricultural leaders.

During the ceremony, Madariaga pointed out that the agreement will immediately benefit banks' small- and mid-scale debtors totalling six million people and companies owing payment on 75 percent of the banks' loans.

Those debtors who join the voluntary program will reap its benefits with the only condition being the maintenance of the flow of payments, Madariaga explained.

Ortiz Describes Bank Debtors' Agreement

PA2408024595 Mexico City Radio Red Network in Spanish 0000 GMT 24 Aug 95

[Statement by Mexican Finance Secretary Guillermo Ortiz Martinez at Los Pinos presidential residence; from "The Night Monitor" newscast; broadcast in progress — live relay]

[FBIS Translated Text] ...progress in the responsible solution to this complex problem can only be achieved through the good will and cooperation of those who are involved in it. Our purpose has been and will continue to be to reconcile the positions of debtors and creditors, respecting at all times the supremacy of the law. Only in this way will we preserve a sure and stable order that will permit all Mexicans to know where we stand. The government of President Zedillo has been careful in not providing false solutions, which although they could be popular for such a complex problem, would in the long run be temporary fixes. We have always sought to distinguish between what can be achieved and what cannot, thus avoiding giving false hopes, hopes that cannot be fulfilled.

The Agreement on Immediate Support to Bank Debtors, which has been signed today, constitutes an unprecedented and unique effort on the part of the federal government and the credit institutions to alleviate the difficult situation faced by the debtor families and companies. The agreement rests on two basic principles: On the one hand, it rests on the duty of safeguarding and strengthening our regime of law, as the only way to achieve the certainty and guarantee of the minimal conditions of coexistence among all Mexicans; and, on the other hand, it rests on the necessity of appropriate economic conditions for the fulfillment of the debtors' obligations, recognizing the grave deterioration that the country's economy has suffered in the past few months and the problems it has caused to the finances of families and companies. The support that will be given through the agreement is directed mainly at small and mid-sized debtors. In the same way, taking into account the problems of the countryside, it provides specific benefits for agricultural debtors who have been particularly affected not only by this crisis but also by the adverse conditions of previous years.

Also, the benefits stemming from the agreement for debtors who have not been able to meet their debt payments will be extended automatically to those who are up to date with their payments. Not to do so, in addition to being an injustice, would imply creating perverse incentives for the fulfillment of obligations. The agreement, whose principal characteristics will be described later, will permit 75 percent of the debtors who were extended credits by the banks — which is approximately six million debtors — to obtain benefits for the total of their debts. Of those debtors who have the largest debts, approximately 1.5 million will benefit in part. Permit me now to stress the general characteristics of the agreement, which we have signed today with the support of the productive sectors.

Before I do that, I want to point out that we have been cooperating very closely with public organizations and with representatives of the productive sectors in drafting this agreement that we are signing here and following up on it.

Four main benefits are expected:

First, the granting of a judicial truce on the part of the banks, which have committed themselves to suspending and abstaining from initiating civil suits in demand for payment, except those strictly necessary for safeguarding their rights.

We believe that under the current circumstances in the country, it is more desirable for creditors to persuade debtors to renegotiate instead of taking legal measures. This truce will remain in effect until 31 January 1996 for those who accept it. This means that the truce will remain in effect for the next five months. The idea is that during this period, debtors and creditors should reach definite agreements and clarify their positions.

Second, the implementation for a year — actually it is for 13 months, since it will be in effect until the end of next September — of preferential interest rates that in no case would be higher than the average interest rate

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that existed before the beginning of the crisis. This rate will apply up to a specific amount of the debt. This rate reduction evidently has a cost, which will be shared by the federal government and the banks, which will try to let time dissipate the fiscal impact. This way it will be possible to absorb this impact through adjustments on regular revenues and on public expenditures without having to resort to debts. We reiterate the government's objective of maintaining healthy public finances.

This is why the objectives of the economic plan will be fulfilled completely, despite the efforts this agreement will demand of the government. This means that the resources the government will assign to this program will not by any means represent any fiscal relaxing.

In all cases, in line with this agreement, the level of applicable interest rates during the 13 months will not exceed the average rate registered in November 1994. Business credits will be tagged at a nominal maximum rate of 25 percent; credits on housing, a real rate of 6.5 percent; credit cards, a maximum rate of 38.5 percent; and, lastly, a maximum rate of 34 percent on consumption and personal credits.

If market interest rates happen to be under this maximum rate, then debtors would pay the lower rate.

In a moment, the president of the Association of Bankers of Mexico will explain the details of this plan and, specifically, the maximum amount on which the preferential rates to which I have referred will apply.

The rate reduction should be seen as a stimulus for seeking a restructuring of credits, which is the essence of the solution to the problem.

I must emphasize that this reduction is of a temporary nature. It will be implemented, as I said, for a year and up to a certain debt amount. This does not imply that new credits or other bank operations will not follow market rules.

Third, once a restructuring agreement is reached, the bank will pardon the total interests for delayed payment.

Finally, the fourth benefit is that no additional guarantee can be requested from debtors for the restructuring, except from enterprises whose debts amount to more than 400,000 new pesos.

It is important to reiterate that debtors who are up to date with their payments will particularly benefit from the agreement as of 1 September. This will be done automatically, because they will not have to take any steps to enjoy the outlined advantages.

The debtors who are not up to date with their payments will benefit from the agreement by signing a letter of intent, which will be available at the banks as of 11 September, and the refinancing of the respective loan will follow.

The federal government, through the National Banking and Securities Commission [CNBV], will supervise the proper implementation of the benefits of this agreement by the banks.

Ladies and gentlemen, in compliance with President Ernesto Zedillo's instructions, the Finance and Public Credit Secretariat has encouraged responses to the serious debt problem affecting Mexican families and businesses. It is not possible to remain still, let alone indifferent, to the discouragement induced by the burden of banking loans for a large number of Mexicans. The severity of the economic crisis has been a harsh blow to family and business finances, and in some cases, the financial burden has been made unbearable under the original terms. Although there are already increasingly more solid indicators that allow us to foresee the future economic recovery within a reasonable time, it is still necessary to take urgent measures to alleviate the difficult situation of the national productive sector, particularly each for Mexican family.

This important easing in the flow of payments by debtors will promote a swifter recovery of the Mexican economy. As it will be seen later on, this respite in the flow of payments by debtors, both credit card holders and businessmen, for the most part will affect more than 50 percent of them. This will undoubtedly mean an additional factor of relief for the Mexican economy's recovery.

We cannot lose sight, however, that the crisis has also reached the banking system and has affected its strength. Therefore, false solutions are unacceptable, solutions that ignore the indiscriminate way in which all factors have been affected by the new economic conditions. Let us not accept unfounded suspicions that lead us to fruitless divisions. The debt is a problem for both creditors and debtors, and an adequate solution to it involves all honest Mexicans. Therefore, it must be attacked with the participation of all the sides involved, within the legal framework.

The agreement we sign today records the largest task the Mexican government has undertaken: to prevent uncertainty from becoming the rule. Those who advocate rupturing the legal system are sowing uncertainty and favoring only those who seek a regression. Let us form today, beginning with the signed agreement, a broad front consistent with the fundamental objective of solving the debt problemm, which affects all of us, by institutional means. Thank you very much.

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Bankers Association President on Agreement

PA2408051795 Mexico City Radio Red Network in Spanish 0000 GMT 24 Aug 95

[Statement by Jose Madariaga Lomeli, president of the Mexican Association of Bankers, at Los Pinos presidential residence; from "The Night Monitor" newscast — live relay]

[FBIS Translated Text] Messrs. legislators, representatives of the productive sectors, messrs. bankers, ladies and gentlemen: In the past few months, Mexico has experienced one of the most severe crises in its history, with the particularity and complexity that its effects on this occasion have affected a large number of people, families, and companies. Unemployment and monetary restrictions, which, as unavoidable measures to fight the current crisis, gave rise to a sudden and sharp increase in interest rates, are factors that have converged to bring us to the current crossroads.

Within this framework, the banks have assumed their responsibility and are seeking to provide the answers that are required for specific problems, such as the existing ones. The proposed solutions, in addition to being a framework of general actions, with variable and flexible possibilities, which will permit adapting to each particular case, should strictly conform to legal and moral principles that give substance and depth to commercial and financial activities.

Our mission is to secure the savings of Mexicans, to safeguard them and to repay them accordingly, channeling the productive activities and financial services that our country demands, all within the greatest security and abiding by the commercial rules. That is our basic commitment and will continue to be invariably so.

We require the participation of all in order to progress. The program we are presenting today is the result of a combined effort on the part of the federal government and the banks, and it offers immediate and quantitative benefits to all the debtor clients of the banks. As has been said, 75 percent of them, in other words, 6 million Mexican, persons, or companies, because of their size will receive support for the total of their debt. All of those debtors who are up to date with their payments and whose efforts we recognize today will participate in the agreement. The agreement will also apply to those with overdue payments who manifest their desire to bring their accounts up to date, either by paying or restructuring their accounts.

In this sense, the agreement responds directly to the most visible face of the problem — which is that represented by the debtors with overdue debts, who will have a viable alternative to be able to resolve their situation and that of their families. As was expressed by the finance secretary, the Agreement of Immediate Support to Bank Debtors, constitutes a single, unprecedented, one-time effort on the part of the government and multiple development banks. The support is directed mainly at mid-sized and small debtors.

As for the particular case of the countryside, it will be given special support. It also provides special benefits for debtors, persons, and micro and small companies. The agreement benefits all debtors with debts in denominated national currency or UDI's [Investment Units] contracted up until yesterday through credit cards, personal credit for the acquisition of consumer goods, credit for companies — these can be incurred by persons who engage in business activities in any branch of economic activity — including those having credit with the development bank, development trusts, housing credit, and credit for the agriculture-livestock system. Such benefits will be extended to the debtors of credit unions and financial companies, which have benefited from bank credits or referred development trusts. Debtors whose payments are up to date will receive the economic benefits of the agreement as of 1 September, without having to engage in any transaction, provided they do not interrupt their regular payments, which will be maintained up to the end of September 1996. Those with a mortgage will receive the benefits as of the date that they restructure their accounts in the system of UDI's. Debtors who are not up to date in their payments can voluntarily or individually participate in the benefits of the agreement by signing a letter of intent, which will be made available to them in the bank offices as of 11 September and which establishes exclusively the disposition of the bank and debtor to negotiate to reach a restructuring agreement.

Therefore, the banks will unilaterally grant debtors who are not up to date in their payments a judicial truce, as of today and until 31 October 1995, in a totally general manner.

This moratorium will be extended until 31 January 1995 to those debtors who sign a letter of intent. Because of this moratorium, the banking sector will not take or promote any civil of commercial action to collect any debts except those that necessary to safeguard its rights. This benefit will not be given to all companies, but only to those companies whose total debt does not exceed 400,000 new pesos. This support will have a preferential rate, and the amount will be limited. Therefore, the first 5,000 pesos owed on all the country's credit cards on which payments are up to date will automatically have a 38.5 percent interest rate as of 1 September, and that same amount on those cards on which payments are not

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up-to-date will have that interest rate beginning from the date of their refinancing and ending on 30 September 1996.

In the case of consumer and personal loans, the first 30,000 new pesos will have an interest rate of 34 percent. Likewise, it will start on 1 September for those who are up to date in their loan payments, or starting from the date of refinancing in the case of those who not up to date in their loan payments, and ending in September 1996.

Commercial loans up to 200,000 pesos will have a 25-percent interest rate ending in September 1996.

Housing loans at 6.5 percent for amounts up to 200,000 pesos with a 12-month duration beginning from the date of refinancing in UDI's.

I referred to agricultural loans separately.

Benefits will only be applicable for loans granted until 22 August.

The extent of these benefits can really be seen when we examine the following data. Of 6 million credit card loans of 5 million pesos or less, 4.720 million people will receive benefits. Of 480,000 consumer loans of 30,000 pesos or less, 440,000 people will receive 100 percent of the benefits. Of 500,000 commercial loans under 200,000 pesos, 100 percent of all companies, or 382,000 companies will receive benefits. In mortgage loans, according to the capacity of UDI loans currently available, the benefit reaches 850,000 loans for 450,000 people.

According to an exercise we conducted to determine the average rates, with all the examples based on equal and consistent conditions, the interest rates would have the following effects. In a credit card, at today's interest rates under equal circumstances under this proposal, there would be a 44.2-percent payment reduction. In the case of consumer loans, there would be a reduction in payments of 60 percent. In business loans, there would be a reduction of 55 percent. In mortgage loans, there would be a reduction of 47.6 percent.

Debtors will be able to refinance and benefit from the terms and interest rates foreseen in the banking sector's program or in the government-supported UDI programs.

The UDI programs the government and banks have implemented comprise the programs to support the national production sector and mortgage debtors and those programs that, along with this agreement, will be made public for credit card holders and for holders of loans for the acquisition of durable goods. Through banks, debtors will be informed of the features of these two programs —namely, the credit card and the durable good credit programs. Once credits are rescheduled, debtors must keep making their payments on time to continue to enjoy the benefits of the agreement.

The additional benefits are as follows: part of overdue interests will be pardoned. As a restructuring agreement is reached, banks will pardon overdue interests, the definition being those interests accrued in addition to regular interests. The overdue interests recorded in the most recent statement issued prior to this agreement of those who have credit card debts will be pardoned.

Regarding guarantees, additional guarantees will not be demanded for restructuring, except in cases in which companies owe more than 400,000 new pesos. In these cases, banks will be able to demand changes. For loans under 400,000 new pesos, banks will be unable to demand more guarantees.

With regard to notary fees in the restructuring of mortgage loans, banks will absorb 50 percent of notary and registration fees and will offer the debtor financing of the remaining 50 percent.

As for countryside producers, those who owe agricultural loans and who are participating in the Sireca [System to Restructure Agricultural Portfolios] and in the (?FIRA) [Trust Instituted for Agriculture] programs deserve and will reap the benefits of this agreement — namely, a 25-percent interest rate over the first 200,000 new pesos and an 18-month period, which, in this case, is larger than in the rest of the cases. The restructuring periods will be up to 15 years, including a three-year grace perioed for the payment of the capital. In the restructuring of agricultural loans, banks will absorb 100 percent of notary fees and will finance 100 percent of registration fees. In addition, banks commit themselves to expedite the granting of new loans for working capital for those agricultural debtors who are making their payments on time, as well as for those who reschedule their debts.

We are confident that this agreement, the elements of which are clear to and beneficial for everyone, presents an adequate alternative solution to overdue portfolios. We are voicing the banks' decision to open new options for those directly involved without eliciting the need for the intervention of elements that want to be part of the problem and that, actually, will never be part of the solution.

Mexican banks have agreed to reduce even more their intermediation margins in order to transfer all efforts to debtors, thus benefiting those who make their payments on time and helping those who have problems in keeping their payments for each one of the products included in this agreement.

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We clearly understand that banks have a duty toward their clients and that this is why, taking into consideration the commitments we made with savers and debtors, we are now restating our spirit of service, support, and seriousness. We call on people — authorities, clients, and banks, of course — to join wills, because the solution is not a matter of force and quantity, but a matter of savvy and quality. A viable solution suggests everyone's participation. Mexican banks have progressed insofar as they supported the country's growth, which is and has been the most sensible part of the economy. Their progress will result from the growing activities of their clients, therefore, we will become mutual foundations of support, which we base on confidence, the only form of commitment in business and personal relations.

We want to restore and strengthen a rapprochement with our clients and society. We will strive to achieve this goal. In the conflict, we all lose more every day; in the solution, we start climbing the path toward recovery. We are taking the first step through this Agreement on Immediate Support to Bank Debtors.

Mr. President, we Mexicans had quite different expectations a few months ago. We have had to fight against the current of circumstances and defeat, day by day, the lack of hope to see that the forging of the country we want will take more time. However, we are confident that, united, we will forge the society we want and that legality will become the support of our existence. Thank you very much. [applause]

Business Leader Views Unpaid Debt Issue, Banks' Role

PA2208132395 Mexico City Radio Red Network in Spanish 0000 GMT 16 Aug 95

[Report by Antonio Guzman; from "The Night Monitor" newscast]

[FBIS Translated Text] It has been disclosed that a broad plan to revamp Mexican banks is being prepared. This plan includes the sale of the overdue portfolio of Mexican banks to foreign investors and also the partial or nearly total sale of some Mexican banks to interested investors in the United States, Canada, and even Europe.

In light of this, representatives of our country's productive sectors have made statements urging authorities to work out a solution to the overdue portfolio issue that will benefit all sectors.

Victor Manuel Terrones Lopez, president of Canacintra [National Association of Manufacturers], in a brief news conference he held this afternoon at Canacintra offices, in Patriotismo and San Antonio Avenues, expressed that the contribution of banks in solving the overdue portfolio must include the reduction of interest on moratorium, the suspension of penalties against debtors, and, above all, respect for the initial guarantees agreed with debtors when the credit was granted.

In this brief news conference, he also stated that the above actions must involve the package of measures to resolve the problem of the overdue portfolio, which will be disclosed in the next few days. Let us listen:

[Begin Terrones Lopez recording] We consider that interests on moratorium will have to be negotiated and reduced, as well as the penalties that now exist. Particularly, the Guarantee Program should be carried out considering the original viability of the enterprise-creditor. If the enterprise was viable at a particular time and under those guarantees the credit was granted, the credit must then be handled accordingly. [end recording]

In stressing that bankers have limited themselves to hearing alternatives while some debts are renegotiated, Terrones Lopez expressed this is the time to consider the proposals they are presented with. This will permit adequate decisions with all those involved in this serious problem, he continued.

Meanwhile, he remarked that the overdue portfolio problem must not be politicized. It is, he indicated, an economic problem that must have an economic solution. Consequently, he urged political parties not to take up this problem as a campaign issue.

[Begin Terrones Lopez recording] This problem has definitely been politicized which bothers me because an economic problem must be resolved through economic solutions. If we politicize this issue, we will only generate antagonism that will not benefit anyone.

Messrs. Politicians, let us stop doing politics with this; please don't meddle in business problems. [end recording]

On the other hand, Terrones Lopez predicted the gross domestic product will fall by 5.5 percent by the end of 1995, while private investment will decline by 20 percent by the end of the year.

Business Leaders Reject IMF Report on Financial Crisis

PA2308141095 Mexico City NOTIMEX in Spanish 0905 GMT 23 Aug 95

[FBIS Translated Excerpt] Mexico City, 23 Aug (NOTIMEX) — Business leaders rejected the IMF report on Mexico's financial crisis and have proposed the establishment of international measures to prevent capital flights and a repeat of this situation.

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Interviewed separately, business leaders felt the country cannot fall for the IMF "ploy" of blaming this or that one for the capital flight that led to the devaluation of the peso and the December economic crisis.

Referring to the recent IMF report pinning the responsibility for the financial crisis on the withdrawal by Mexican businessmen of their capitals, the businessmen said the international organization must present proof of what it is saying.

They made those remarks on 22 August at the forum on Businessmen's Social Responsibility and at the news conference during which they announced the Third Foreign Trade Congress to be held in November.

Juan Autrique Gomez, president of the National Association of Mexican Importers and Exporters (ANIERM), said the IMF document would have to be backed up by names and quantities on the capital flight that was denounced.

Gilberto Marin Quintero, president of the National Council of Foreign Commerce (Conacex), acknowledged there was a flight of capital in December by foreign investors but for a brief period, because most of local businessmen had debts in dollars.

"If there was a capital flight, it was very small. We must acknowledge that the IMF gives a series of prescriptions but does not impose control over short-term speculative movements, and the problem that arose in Mexico could happen again in any other nation," he warned. [passage omitted]

German Gonzalez Quintero, president of the Confederation of National Chambers of Commerce (Concanaco), said his organization has advocated the establishments of required "locks" on the withdrawal of speculative capitals. A good measure would be to enact legislation on short-term investments, Gonzalez said, adding that Cocanaco "is continuing to pressure to prevent this (the crisis) and situations as the one in last December from happening again in the country."

Victor Manuel Terrones, president of the National Association of Manufacturers (Canacintra), spoke against capital controls. "We have gone past that phase," he said, adding that controls imposed on capitals in the past yielded very poor results for Mexico because they hampered its development.

Industrial Group Leader Denies Businessmen Promoted Crisis

PA2308131895 Mexico City REFORMA in Spanish 22 Aug 95

[Report by Roberto Aviles and Maria Elena Zuniga — received via Internet]

[FBIS Translated Text] In 1994, during the administration of Carlos Salinas de Gortari, the government implemented a monetary policy "with a self-serving orientation" that facilitated an increase in the circulation of money, which became incompatible with the exchange system and led to the devaluation, the IMF has stated in a report on the outlooks of the world economy.

In an eight-page annex on the Mexican crisis, researchers Miguel Sevastano, Jorge Roldos, and Julio Santaella have concluded the Mexican crisis should have been handled in 1994 through loan and fiscal restrictions. The IMF has rejected the reasons the Mexican authorities have given for failing to implement these measures in 1994 and has stated that "the effects (...) in the yields and solvency of banks may not have been qualitatively different from what appears to have been the case following the December crisis."

The IMF has also said the flight of Mexican investors' capital was the original cause for the financial and economic crisis in Mexico, because it eroded international reserves and made the crisis inevitable.

On this matter, businessman Enrique Molina, president of the Escorpion Industrial Group, has denied the country's businessmen promoted the economic crisis or contributed to creating it because they were not going to destroy what took them so many years to build. "We were not going to perform 'hara-kiri,'" he has said. Foreign investors were the ones who rushed to withdraw the capitals they had invested in volatile markets and panicked with the 1994 political events, causing a catastrophe, he added.

"The only ones who withdrew their money were those who had paper liquidity, not Mexican companies, which to do so would have had to sell their capital goods. Besides, there were no buyers."

AMIERM President Concerned About Economic Emergency

PA2208132795 Mexico City LA JORNADA in Spanish 17 Aug 95

[Report by Patricia Munoz; received via Internet]

[FBIS Translated Text] At a news conference, Juan Autrique, president of the National Association of

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Mexican Importers and Exporters (ANIERM), pointed out that the emergency plan has not worked and the causes of the crisis have not been attacked either, and as a result there is concern that "another new economic emergency" might come about in the near future.

The businessman pointed out that the country is experiencing the most serious market contraction in recent years, which is made manifest by drops of 55 percent in food and drinks sales, 70 percent in automobile sales, 50 percent in the publishing industry, a similar drop in the construction and textile sectors, and even in computers, which experienced a 40-percent drop.

Autrique said that over the first half of 1995, the dramatic growth of unemployment is also outstanding among the most painful consequences of the crisis. Unemployment already affects 11 million Mexicans, who are unemployed or underemployed. All of this should be added to the reduction of the gross domestic product (GDP), which is larger than expected.

Nevertheless, the slight recovery achieved in the macroeconomy, where positive signs begin to appear, has not spread yet to the businesses or individuals.

The ANIERM president said this picture is completed by the lack of a firm industrial plan and a nonexistent global development plan for foreign trade, a sector which can be used as a fundamental instrument to facilitate recovery and establish the bases for a healthy growth.

In view of this scene, the exporting sector demands:

1. To establish a long-term plan with consistent economic policies, in which an industrial program and an agricultural plan for the entire country are defined and applied.

2. To allow voluntary fiscal regularization, to establish a concerted mechanism to pay fiscal loans, and to enter into a general fiscal truce.

3. To stress the administrative simplification process and to redirect the provisions applicable to foreign trade so as to count with an instrument of true export promotion.

4. To increase Bancomext's [National Foreign Trade Bank of Mexico] financial ceiling for export loans to promote and establish incentives for commercial banks to allocate a given proportion of their loans to exports, among other provisions.

Autrique believes that although some provisions have been made for small and medium-sized businesses, it is necessary to take more radical measures of support: to exempt these businesses of paying income tax for two or three years, to automatically return the VAT [value-added tax], to exempt them of paying tax on assets, and to offer them a temporary system to choose between making payments to the IMSS [Mexican Social Security Institute], Infonavit [Institute of the National Fund for Workers Housing], and SAR [Retirement Savings System], or providing social security for their workers.

Autrique added that procedures must be also simplified to a maximum, through a single window, for the formation, operation, and exports of groups of small and medium-sized businesses. Free advice should also be provided at the Commerce and Industrial Development Secretariat [Secofi] or Bancomext to find new markets of buyers or niches, tariffs, nontariff barriers, or technical standards.

Another fundamental point would be Bancomext's granting of loans because financing is necessary at soft or preferential rates, at longer terms than those current, whose guarantee would be the joint endorsement of the businesses forming the group or the value of the firmly established contracts.

Autrique said the goal of these requests is to establish in Mexico an industrial and commercial plan for true development and, above all, to avoid the "recurrent crises" experienced by the Mexican economy because of a lack of a defined long-term economic program.

Meanwhile, Secofi's Industries Under Secretary Raul Ramos Tercero pointed out that the federal government has undertaken the task of establishing measures to strengthen the strategy for industrial development, which will contribute to resolve current problems.

While he was participating at the first seminar for export development promotion in the electrical sector, Ramos said that among the main measures the executive branch will adopt are: the diversification of the export plant, which will incorporate medium-sized and small businesses; the integration of production chains through import substitution and the development of national suppliers, besides supporting and implementing actions to promote national and foreign investment, and going deeply into the deregulation process and administrative simplification.

Ramos underscored that at present the Secretariat of the Comptroller General and Secofi are working in the development of an information system, which will provide updated data on purchases made by agencies and states, particularly regarding notices of meetings, adjudications, delivery and payment of goods, services, and public work, which will contribute to clarify the government's purchases and favor supply by national producers.

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Manufacturers Comment on Economic Recovery Plans

PA2308200095 Mexico City LA JORNADA in Spanish 21 Aug 95

[Report by Laura Gomez Flores — received via Internet]

[FBIS Translated Text] Victor Manuel Terrones Lopez, President of National Association of Manufacturers (Canacintra), has disclosed that industrial activities will register "a significant growth" in the last three months of this year due to the injection of federal resources into the economy.

"The most difficult and complicated part of the economic adjustment program is over; we Mexicans have already paid what we had to, and we must not waste that," he added.

The business leader feels that once we have revitalized the economy of the sector, and as a result, the economy of the country, it will be much easier to cope with the programs to reorganize the past overdue accounts.

Terrones Lopez said that some signs of economic recovery have been perceived throughout this month, although "we have not reached the levels attained last year."

However, with regard to the government's budget, "we are going to see a significant growth in the last three months of this year, because 63 percent of the resources that are planned will be channeled in the remainder of 1995 mainly by calling for bids for public works.

"In this manner, we will be able to feel the productive revitalization in November or December, and if this term is good, the next one will be much better," he emphasized.

When asked if the economic adjustment program has worked well, he answered: "We have to examine it carefully; the worst part is over, but we cannot relax yet as there is not a basic scheme to promote the productive units of the country that are priority number one for the industrial sector."

With regard to the economic recovery of Mexico, he said that "we must all work on it because based on that we will be able to meet all of our international and national commitments, as well as to meet payments of our foreign debt or the reorganization of our past due accounts."

To that effect, Terrones Lopez said that a joint effort is being conducted with all business organizations to prepare a feasible project that will allow decreasing the current deficits and quickly answering the expectations of the sector. This project will be turned over for evaluation of the officials of the Secretariat of Finance and Public Credit [SHCP] as well as of Association of Mexican Bankers.

The cost of the measures to be adopted must be shared "inasmuch as society has already paid a good share of unemployment and hiked prices, while the business sector has done its part by absorbing the costs of operation. Now, the city must pay its share.

"It is very difficult to determine who has contributed more and who has contributed less in the crisis. However, more than anything else now, we must determine how we will solve that problem," he said.

Regarding the establishment of a trust that will allow the industrialists to cope with past overdue accounts and current ones, he reiterated that this could be feasible although this will be determined once all proposals presented by the business organizations are organized.

He advised that a final proposal by the business sector to the SHCP and the banking authorities will be presented in a few weeks in order for the banks to prepare a feasible project.

Coparmex Urges Government, Banks, Debtors To Solve Crisis

PA2208041895 Mexico City LA JORNADA in Spanish 17 Aug 95

[Report by Raul Llanos Samaniego; received via Internet]

[FBIS Translated Text] The Employers Confederation of the Mexican Republic (Coparmex) has affirmed that the country's social and financial stability will depend upon the urgency and effectiveness with which the problem of the overdue portfolios is solved. Coparmex urged the government, banks' representatives, and debtors to find effective solutions through talks, negotiations, and creative proposals, because the magnitude of this issue will dwarf any isolated decision.

It is necessary, Coparmex added, "for us all to make a contribution, because there are no magical solutions. Banks must have a clear long-term vision and sensibility. The government must generate the conditions necessary that will make interest rates drop and will let it absorb part of the costs, and debtors must gather to negotiate with responsibility."

The employers confederation stressed that it is not worth it to make proposals that would cause the parties involved to confront one another and jeopardize the system of payments.

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In an official communique, the leading business organization stated that the problem of the ovrdue portfolios involves ethical, political, legal, economic, technical, and social aspects, which must be considered while viable solutions are being offered.

Coparmex also stated that Banks and government specialists must make general proposals that will be used as a framework for negotiations on a case-by-case basis and that will favor both those who have involuntarily fallen in arrears of payments and those who have paid on time.

As for the specific case of the banks, the organization indicated that "they have a great deal with which to contribute. It is necessary to lower the differential between the rate-cost of money and the rates charged to the debtor; that is, banks have to improve their effectiveness," adding that it is necessary for credit institutions to implement simple renegotiation systems, ensuring that their managers and executives will be truly trained to make decisions.

In turn, the federal government will have to absorb, through different systems, "part of the cost, deferring its impact through time." It will also have to set the conditions for the economic recovery, thus really decreasing interest rates.

Likewise, it will have to grant low-cost fiscal incentives and pay suppliers and contractors of the federal government; "it must, above all, make a profound fiscal reform encouraging productive investments, jobs, and private domestic savings."

Finally, Coparmex recognized that business organizations "have the duty to use our capacity to mediate and bring the parties together, thus contributing to the creation of an atmosphere of unity and commitment among the parties involved."

Businessmen: This Government Has Taken a "Diaz Ordaz-Like" Position

Representatives of the National Businessmen's Alliance [Alianza Nacional de Empresarios] (ANDE) yesterday said that the government of President Ernesto Zedillo is taking a "Diaz Ordaz-like" position, similar to the one taken in 1968, because talks and the proposals business organizations have made have bogged down and because the government is responding with arbitrary actions only.

They also reported that, on 21 August, they will submit an Alternative Economic Program in view of the critical situation, a program that will be presented in a major referendum in the country to ensure that society will support it or reject it.

At a news conference, they maintained that the authorities' response is a reason for concern, because the entire society is demanding a solution to this critical period. However, we fail to see the government's resolve to help achieve this objective.

Raimundo Artiz, National Processing Industrialists Association (ANIT) vice president, explained that the policies implemented during Carlos Salinas' six-year presidential term that favored speculative investments and that still prevail in an "absolutely irresponsible fashion" must cease immediately.

He warned that the consequences of continuing climbing this path are at sight, especially in matters concerning the growing social instability evident in several segments of the population.

He underscored that the problems expired portfolios pose constitute a major factor in this situation, which bankers and financial authorities are refusing to address.

Miguel Garcia, an El Barzon Movement member, said that Finance Secretary Guillermo Ortiz has already recognized that banks have committed abuses. However, "we do not see anyone being punished or anyone being reprimanded, thus making evident that he is protecting bankers more than he is protecting the millions of debtors."

Article Examines GDP Fall, Government Policies

PA2308145495 Mexico City LA JORNADA in Spanish 18 Aug 95

[Article by Julio Boltvinik: "The Fall of the GDP and the Deficit Taboo" —received via Internet]

[FBIS Translated Text] In the first half of 1995, the public sector recorded a very large fiscal surplus, largely surpassing the goal the U.S. government and the IMF set to grant the credit known as the Clinton unfair economic package [paquetazo Clinton].

The surplus and the credit restriction, both equally more severe than the goal set abroad, triggered a 10.5 percent fall in the GDP during the second quarter of 1995, as compared to the same period in 1994. Thanks to this, the gross domestic product [GDP] drop averaged 5.04 percent in the first half of the year. These data are included in the "Quarterly Report on the Economic Situation, Finances, and Public Debts" the federal government forwarded to the Chamber of Deputies on 15 August.

Let us note two issues: first, the surplus means that the government will collect from the public more resources, through taxes, fees, and other revenues, than what it returned to society. This withdrawal on resources

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translates into a direct reduction in the demand for goods and services and, therefore, in the employment and the GDP. Secondly, let us note that the manner in which the GDP fall is computed underestimates the impact on the people's average standard of living for several reasons, namely:

A. It would be necessary to include the demographic boom effect. The country's population grows at a rate of 2 percent annually. Therefore, the quarterly per capita GDP fall is 12.5 percent, and the twice-yearly GDP fall is 7.8 percent.

B. The fall is even larger because there was a real growth in 1994, so that the fourth quarter's GDP was higher than that of the first quarter, taking into account the seasonal effect. The per capita GDP fall in the second quarter of 1995, as compared to the fourth quarter in 1994, must be at least 15 percent, eliminating seasonal effects.

C. The most adequate indicator of the real change in the population's average standard of living is not the GDP, but private consumption, which fell by 8.84 percent in the first quarter of 1995, while the GDP fell by only 0.6 percent. Therefore, it is quite likely that it fell by approximately 20 percent in the second quarter of 1995 in per capita terms.

The reader would ask himself why the government records a surplus if it exerts a negative effect on economic activities and employment. Because the government deficit has the opposite effect in certain circumstances — namely, an increase in the GDP and employment — the previous question is broader and deals with the use of fiscal policies as an noncyclical instrument; that is, they boost the economy when it is falling and slow it down when full employment is reached.

In 1995, the government has used fiscal policies in terms exactly opposite to the ones noticed. It has recorded a surplus to accelerate the drop in economic activities, because, as LA JORNADA (16 August 1995) stated, the "government report forwarded to the legislative branch hints that the fall in production stemmed from the need to reduce the deficit in the current account" of the foreign balance of payments. Halting the economy to resolve an unbalance in the economic relations with foreigners means that, once they are reactivated, the unbalance will reemerge.

The solution the government has been working out necessarily has to do with reorganizing our relations with foreigners, restructuring debts, restating a commercial opening, and keeping a foreign exchange rate that would help us strike a balance. In any case, note that the government resorts to the fiscal surplus when it wants to halt economic activities, but it is incapable of using a deficit to reactivate them, because it is prisoner of the deficit taboo.

The origin of this taboo — the other side of the coin of the balanced budget doctrine — was unearthed many years ago by Polish economist M. Kalecki, who said: "...under a laissez-faire system, the employment level largely depends upon the so-called state of confidence. If this state deteriorates, private investments fall, thus eliciting a drop in production and a decrease in the employment level... This situation grants capitalists a powerful indirect control over government policies: what this state of confidence could change must be carefully avoided because it could trigger an economic crisis.

"However, once the government learns the trick of increasing employment through its spending, this powerful instrument of control loses its effectiveness. Therefore, budgetary deficits must be regarded as dangerous... The social role of the 'balanced finances' doctrine is making the level of employment depend upon the state of confidence." (On Contemporary Capitalism, cited by Jose Valenzuela's Criticisms on the Neo-Liberal State, UNAM [National Autonomous University of Mexico], 1991).

Kalecki is right. The extraordinary and terrible social role the deficit taboo plays is that of subordinating government policies to the private capitalists' intentions and wishes. Even in the short run, as is the case with Mexico now, private enterprises needed the government deficit to survive, their long-term interests dictate to them that they must not allow any violation whatsoever of the taboo. The punishment for such violations would consist of granting the government autonomy in its economic policies, which, in the long run, could turn against its interests.

Article Outlines GDP Decline, Defends Government Policies

PA2208034595 Mexico City REFORMA in Spanish 17 Aug 95

[Article by Jonathan Heath: "The Decline of the GDP;" received via Internet]

[FBIS Translated Text] The GDP decline for the second half of the year, recently announced by the INEGI [National Institute of Statistics, Geography, and Information Science], is not only the largest drop since we have been recording quarterly statistics (1980); it probably is the most drastic drop since 1940. The previous record was set in 1982-1983 with a 5.8-percent drop in the second quarter of 1983. In addition, 5.3-percent

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drops were recorded in each of the two last quarters of 1986.

The INEGI maintained that this figure overestimates the drop in economic activities, because our figures are not adjusted to seasonal variations. Since there were fewer working days in this quarter compared to the same quarter in 1994 and the quarter with the largest growth last year, this figure tends to be seen as worse than what it really is, however, without making any accurate calculations, this figure would show quite a sharp decline even if we adjusted it to these variations. Reality does not change: during the second quarter of 1995, we recorded the largest GDP decline in the last 50 years.

In trying to see the positive side of highly negative news, the safest thing to say is that this recession will last a shorter period of time than the others. The recession lasted six quarters in 1982 and 1983. It lasted five quarters in 1986 and 1987. This recession will be worse than the others, but it will probably last a shorter time.

Despite these overwhelming figures, the course of the government's economic policies has been the right course. The financing of our development has been one of the most difficult unknown variables to work out. We have no capital or savings to generate the growth we need. We unfortunately depend on foreigners to complement our investments through foreign savings. The mistake made in previous years was having replaced foreign savings by domestic savings, instead of seeking their complementary relationship.

For this reason, Mexico needed to regain the confidence and credibility of the international financial community. We cannot do this by decree, but through the quality in the response in economic policies. We needed to prove that, in our case, that a default [previous word published in English] was not going to take place and that investments in Mexico are good. The international financial community committed itself to lend us an unprecedented aid package. Many people bet against us, however, we have proven that we are worthy of being granted credit, and we have been able to return to international capital markets.

Thanks to the economic policies we have implemented, we are regaining this confidence, and, as a consequence, the first signs of realizing the recovery are emerging. First, we had to prove that we were not going to go into default [previous word published in English]. Second, we had to prove that we were capable of making the adjustments necessary to offset the lack of capital inflow. We then had to induce a drop in interest rates. To do so, we had to implement restrictive monetary policies that would make inflationary expectations fall, instill a certain stability in the foreign exchange rate, and inject credibility into economic policies.

This confidence and credibility are not gained through the privatization of banks, or foreign exchange controls, or the forceful conversion of deposits in dollars into deposits in pesos. Rather, it is done by proving that our savings and investments are secure and that they are not recording losses due to defaults [previous word published in English] or for further erosive inflation. Investments are being recovered little by little thanks to these policies. As certain consumers notice some investments, they regain confidence and start spending a little bit more. This is how the recovery is achieved, recovery that later (after a major delay) translates into job creation.

Obviously, this adjustment has a price, and it is a high price. The GDP decline and the increase in unemployment are the major signs of this price. The alternative, however, could be much worse. If authorities had failed to induce us to austerity and the necessary adjustments, who knows where we would have ended up.

At this stage, we must not make an anticipated change of course. We are on the right track, and the recovery will take place. We must avoid the panicky calls demanding a change of strategy in economic policies, a change that could jeopardize the fragile stability achieved so far.

However, the unemployment problem is, for the time being, too big to ignore. The government must decidedly allocate its spending to those projects that will create the greatest number of jobs. We must expedite the labor reform bill; we must expand the scholarship program for the unemployed. We need to see more areas of action for the government to strongly tackle this problem.

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Honduras

IMF Mission To Evaluate Economic Situation

PA2308201895 San Pedro Sula TIEMPO in Spanish 15 Aug 95 p 3

[Report by Fredy Perdomo]

[FBIS Translated Text] Tegucigalpa — An International Monetary Fund (IMF) mission arrived yesterday to evaluate the government's economic situation. It was already announced that the government will not likely pass the test because of the difficult financial situation the National Enterprise for Electric Power (ENEE), which is on the brink of bankruptcy, is experiencing.

At a news conference on 14 August, Gabriela Nunez, deputy minister for finance and foreign credit, said the nearly three-week visit by the IMF representatives is an attempt to verify whether the government has reached the goals of the economic program as agreed upon in a letter of intent approved by Congress last October.

The government's commitments with the IMF include the reduction of the fiscal deficit from 7.5 to 4 percent by the end of 1995 and of marginal inflation from 28.5 to 12 percent, which will not be achieved because inflation has been higher than 15 percent in the first seven months of 1995.

Another government commitment is to achieve a 4 percent economic growth; that is, to increase the gross national product from 21.8 billion lempiras to 33.5 billion.

The IMF members will observe the advancement of the state's modernization process, which includes the privatization of certain decentralized enterprises, such as the Honduran Telecommunications Enterprise (Hondutel), and reforms to the electoral and judicial systems, among others.

Regarding the fiscal deficit vis-a-vis the GNP, Nunez said: We cannot speak of a percentage yet. She said, however, the government's projected expenses for the first half of 1995 were 2.467 billion lempiras. By 30 June, the state had spent 2.394 billion lempiras, and this indicator is a good one.

According to the letter of intent, the government has pledged to collect 6.3 billion lempiras in taxes, but Congress only approved 5.32 billion lempiras.

Authorities from the Revenues Executive Directorate (DEI) expect to collect more than 5.5 billion lempiras.

According to Nunez, another goal the government has achieved is the volume of international reserves, which, although not specified, are estimated at approximately 70 million [currency not specified] net and more than 200 million [currency not specified] gross.

Nunez said the Economic Cabinet members are pleased because the IMF envoys will verify that the government has exercised discipline in spending and has complied with macroeconomic policies.

The official said that as a result of the evaluation to be made by the IMF members, government representatives could request that the Paris Club write off $600 million-$700 million of the foreign debt.

The total foreign debt with the Paris Club amounts to $1.058 billion.

Nunez said the results will also help to negotiate new social investment and infrastructure programs with international credit organizations.

ENEE on Bankruptcy

Nunez said that decentralized agencies are the current economic problem, particularly the ENEE [National Enterprise for Electric Power], which represents 25 percent of the country's total public foreign debt, estimated at $3.74 billion.

An annual operational deficit of approximately 800 million lempiras must be added to the ENEE foreign debt, which amounts to some $935 million (approximately 8.885 billion lempiras).

Sixty percent (approximately $561 million) of the 25 percent which represents the ENEE debt is multilateral and cannot be renegotiated.

Nunez did not rule out that the delay in the approval of the new ENEE rates could affect the IMF evaluation.

Nunez said calmly, "I believe the rates do have an impact, regardless of the IMF presence. A delay is already causing a serious problem at the ENEE, so much so that the ENEE could be left without resources to buy fuel at anytime."

Nunez said ENEE's financial problem negatively affects the state's finances, the balance of payments, and the demand for currency. In addition, it becomes a macroeconomic problem for the country.

Nunez said the ENEE's situation this year alone has forced the central government to provide 300 million lempiras in financial aid, an indication that the expense will be bigger and that the economic goals will not be met.

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Panama

ARI Administrator on Reverted Areas, Country's Needs

PA2308145895 Panama City Circuito RPC Television in Spanish 2300 GMT 22 Aug 95

[Report by Alexander Calderon from the "RPC Television News" newscast]

[FBIS Translated Text] The Interoceanic Region Authority [ARI] has announced the new installations of the University of Panama in Colon Province will be built with dividends generated by the sale of the Cristobal School:

[Begin ARI Administrator Nicolas Ardito Barleta recording] This agreement is the one that has been approved initially. We will have to make it official later. [end recording]

He added that they are studying the possibility of selling several properties in the area, which is basically considered to be a port area:

[Begin Ardito Barleta recording] It is our responsibility to provide housing for the users; thus, the ARI will have to take this matter into account in order to ensure that Coco Solo housing residents are not negatively affected by the use of the area to supply port services. [end recording]

Ardito Barleta has also said all the areas that revert to Panama will be used in accordance with the country's needs, and he has said the possible permanence of certain U.S. military bases will not hinder the ARI's development plans.

Foreign Firms Interested in Servicing Forts Davis, Espinar

PA2308160495 Panama City EL PANAMA AMERICA in Spanish 22 Aug 95 p A-3

[Report by Aquilino Ortega Luna]

[FBIS Translated Text] Interoceanic Region Authority (ARI) Administrator Nicolas Ardito Barletta said yesterday at least five qualified and experienced international companies are interested in giving maintenance to Fort Davis and Fort Espinar, once they revert to Panama next September.

The official said that the corresponding public bids will be held soon and that the company that wins the bid will give maintenance to the buildings, specifically the air conditioning, electricity, water, and communication systems, at Forts Davis and Espinar in order to avoid their deterioration.

The ARI administrator said that five companies have presented their bids at the bidding session and that the firm to give the service will be selected by a specially appointed selection committee following procedures established in the fiscal code.

Ardito Barletta said they are planning to start the industrial park, sponsored by the Taiwanese Government, at Fort Davis. All the houses in the Fort Espinar sector, which is a residential area, will be renovated and offered for sale to Colon residents.

"The talks between the Foreign Ministries of Panama and Taiwan on the building of the industrial park are well advanced. A Taiwanese technical mission is preparing the infrastructure program that will be carried out at Fort Davis as of November," he said. The director said they are also preparing the legal documents to formalize the implementation of this program.

ARI Director Ardito Barletta said a special property-reversion ceremony, which President Ernesto Perez Balladares will attend, will be held in September.

Businesses May Back Proposal on U.S. Bases Remaining

PA2308165395 Panama City EL PANAMA AMERICA in Spanish 22 Aug 95 p A-1

[Report by Arnulfo Barroso W. and Carlos Vargas]

[FBIS Translated Text] The business sector announced yesterday it would back a proposal to have the U.S. bases remain in Panama after the year 2000. PRD [Democratic Revolutionary Party] President Gerardo Gonzalez has said, however, those who promote such an idea enjoy "having the gringo boot permanently on their necks."

According to Edgardo Carlos, Chamber of Commerce vice president, the business sector sees "with good eyes" the intent to reach an agreement that will formalize the permanence of several Southern Command bases and soldiers in the country. Carles said that General Barry McCaffrey's opinion on the bases has been "well received," adding that a renegotiation would "calm" thousands of Panamanians who could lose their jobs with the departure of the U.S. troops.

Gerardo Gonzalez has said the PRD opposes the U.S. military presence in the country and has said the current and succeeding government must take into account the Panamanian people's "authentic" aspiration to perfect their independence before thinking about a renegotiation.

Meanwhile, former Canal Administrator Fernando Manfredo has said the Neutrality Treaty and Law 9670 in-

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struct the U.S. President to renegotiate his country's military presence in Panama when he considers it to be propitious. Section 1,111 of Law 9670 orders the U.S. executive to opportunely propose the permanence of U.S. troops in Panama after the year 2000, he has said. Manfredo has said if Washington presents a request to renegotiate the bases, the Panamanian Government should "objectively" study the proposal, taking into consideration cost-benefit aspects and the people's aspiration to perfect the country's sovereignty.

In addition, Panamanian Foreign Minister Gabriel Lewis Galindo said yesterday Panama would evaluate a proposal on the bases should the U.S. Government present such a request through the proper channels of the executive branch. He warned, however, any issue on the U.S. military permanence in Panama has to be subjected to a plebiscite.

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Argentina

Menem Asks for Inquiry Into Alleged Criminal Acts

PY2408011095 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2357 GMT 22 Aug 95

[FBIS Translated Text] Buenos Aires, 22 Aug (NA) — President Carlos Menem tonight instructed Prosecutor General Angel Nicolas Aguero Iturbe to "personally and directly dedicate himself" to investigating the events regarding "accusations that could indicate the existence of alleged criminal actions" that have been denounced by Economy Minister Domingo Cavallo.

"I believe that it is necessary for you, as head of the organization that the Constitution has endowed with powers to investigate criminal actions, personally and directly investigate these events," the president said.

In a brief three-paragraph letter, the president indicated that these events will thus "be investigated and judged by the republican organization that oversees the health and integrity of the system."

Menem Reportedly 'Furious' at Cabinet Infighting

PY2408012195 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2300 GMT 22 Aug 95

[FBIS Translated Excerpt] Buenos Aires, 22 Aug (NA) — President Carlos Menem "is furious" over the degree of infighting within the cabinet as a consequence of the harsh verbal confrontations between Domingo Cavallo and the political sector of the government.

This was stressed this afternoon by top-level government sources after they pointed out that the president "does not encourage any type of infighting, nor does he support anyone in particular" within the framework of that rivalry in which governors and congressmen are also participating.

Menem today seemed to want to distance himself from the verbal clashes that are taking place behind his back and he "took the afternoon off" to meditate in an unknown place in the northern area of Greater Buenos Aires. [passage omitted]

"Cavallo is not leaving" was the remark that the journalists heard in most of the offices at the close of the day at Government House.

The spokespersons who were consulted indicated that the minister's fury "is a recurring issue; every time that things are not done as he wants them done, he proceeds to say what he thinks."

"The problem is that Cavallo has very little political savvy, and he knows only the way of applying pressure when he demands something. Thus, he generates these dilemmas at times," a Government House source said.

Within this framework, the sources indicated that "the political sector of the government," which includes [Eduardo] Bauza, [Carlos] Corach, Eduardo Duhalde, Carlos Ruckauf, and Eduardo Menem, among others, "has not attacked the minister; on the contrary, it has defended itself from his attacks."

They maintain that the fights between Cavallo and the rest "does no one any good" within the government, and this is why Menem "is very angry" about this new bout of infighting in his team. [passage omitted]

Economist Views Negotiations With IMF

PY2308162495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2213 GMT 21 Aug 95

["Special Report" for NOTICIAS ARGENTINAS by Adalberto Rodriguez Giavarini]

[FBIS Translated Text] Buenos Aires, 21 Aug (NA) — The Argentine government has been forced to initiate a complicated renegotiation with the IMF of the fiscal targets established last March. Right now it is highly unlikely, not to say impossible, that the pre-established level of revenues will achieve the required 42 percent increase in collection for the remainder of the year (even assuming other established targets, especially those involving expenditures, can be met).

The Argentine problem is clear: Revenues fell by 6.6 percent while expenditures grew by about four percent during the first seven months of 1995. Total revenues were four percent less in July than in June, while the July VAT [Value Added Tax] revenue was 9.2 percent down on June. These reductions forced the government to take serious measures in June, including a delay in paying wages and mid-year bonuses, and advancing the collection of personal wealth tax.

These measures allowed the formal meeting of targets established for the first six months, but did not represent a full response to the delicate situation involving the fiscal accounts.

During the first half of the year, Argentina failed to fully meet the targeted overall balance of accounts (without privatizations). Instead of a targeted $834 million deficit, a $862 million deficit was registered. The overall balance of accounts is the result of subtracting interest rates paid on the foreign debt over a given period from the preliminary or primary balance.

To correctly interpret how this result was achieved, one must separate the first three month period from the

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second three month period, always taking into account that the agreement was signed in March.

There was a deficit in the balance during the first three month period (without including the income from privatizations) that was much smaller than expected; 740 million pesos against 1.26 billion pesos, which left a favorable "credit" that was transferred to the second three month period. The total balance (without income from privatizations) was negative during the second three month period: 122 million pesos. A quick glance would lead one to believe there was a substantial improvement between the two periods considering the reduction from 740 million to 122 million pesos in the deficit.

This improvement is apparent but disappears if the figures are corrected to include the postponement from June to July of the payroll and the half year bonus, which is usually paid at the end of June. Conservatively speaking, the amount deferred to July amounts to about 750 million pesos. Had this been paid in June, it would have resulted (without income from privatizations) in a deficit of 872 million pesos, which is higher than that of the first three month period, thus implying a marked lack of compliance with the goal for the second three month period which provided for a positive balance (without income from privatizations) of 426 million pesos.

The explanation for this bad performance in the second three month period is obvious. Income was 12.5 less than expected, while outlays — without interest payments but including the payment transferred to July — was similar to what had been estimated.

Thus, a "realistic" picture of public accounts during the first six month period shows the difficulty of obtaining resources to service the public debt, even if one includes the income from privatizations and postpones the payroll. A renegotiation of the goals of the agreement with the IMF (and a probable extension) has been maturing for some months now.

Argentina started by asking the IMF to forget the projected 2.005 billion pesos surplus in the overall balance (without income from privatizations) that had been scheduled for the year (2.841 billion in the second six month period). The reason behind this is that a "megasurplus" with which the public debt could have been paid without resorting to external lines of credit is unnecessary now that Argentina has recovered access to international lines of credit (through the launching of bonds in German marks.)

The negotiation process, even if the IMF accepts and approves the request, will not be easy. Even if the original demand for the second six month period is replaced with balanced accounts it will be necessary for the balance or primary result (before considering privatizations) to have a positive figure of more than 2.2 billion pesos — the sum needed to pay interests. Only 10 percent of that sum was obtained during the first six month period, excluding the effect of transferring June's expenditure to July.

Therefore, the concern resides not so much in eliminating the "megasurplus" as promised in March, but in generating the conditions to obtain a primary result that will facilitate the paying of interests and achieve a balance. It is improbable that the IMF will approve the massive use of resources from privatizations to pay interests, even if there is a margin for financial-fiscal leeway.

Within this context, the elimination of social security contributions by employers and the use of resources for some of the government's projects to fight unemployment could jeopardize the negotiations with the IMF. The lightening of the goals for the second six month period will compensate for the reduced level of income that will occur in the second six month period, compared with what was agreed upon, unless there are substantial improvements on the January-July period.

It would be wrong to believe the "lightening" of the load can be applied to a higher outlay or to the reduction of labor taxes. One alternative is a 10 percent reduction in expenditure (throughout all sectors) which would contribute 4.5 billion pesos to consolidate the primary balance and to finance the "anti-unemployment" plans.

The economic team presumably seeks a less harmful alternative through a moratorium. We will see the results even though the government plan is very optimistic.

Brazil

Alliance Sought To Oppose U.S. Commercial Sanctions

PY2308121195 Sao Paulo GAZETA MERCANTIL in Portuguese 21 Aug 95 p A6

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] The Brazilian iron and steel sector, which has one of its main markets in the United States, is developing closer ties with Brazil's main coal supplier, the state of West Virginia. This state will be a Brazilian ally in case U.S. commercial sanctions are imposed on Brazilian steel.

West Virginia Governor Gaston Caperton will visit Belo Horizonte on 13 September. He will be accompanied by the presidents of the five main exporters of coal

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for iron and steel plants. They will attend a seminar that will be sponsored by Usiminas [Minas Gerais Iron and Steel Mills, Inc.] and the Brazilian Iron and Steel Institute (IBS). The idea for this approach originated with Brazilian Ambassador to Washington Paulo Tarso Flecha de Lima. He realized that bilateral ties cannot be limited to the central governments of the two countries, and that it is important to identify and use U.S. sectors that can operate as a lever for government action.

Creation of Jobs

In the case of Caperton and West Virginia — the state of two influential senators, Robert Byrd and Jay Rockefeller — Brazil wants to show that the steel that is exported to the United States has a high percentage of coal from that region and that, with this product, Brazil is contributing to the creation of jobs in one of the most strongly depressed states of the U.S. If economic sanctions are imposed on Brazil, the government will certainly choose to retaliate on coal. A strategic alliance with Brazil is, therefore, important for Caperton.

Says a Usiminas source: "Brazil is West Virginia's natural market. A coal shipment arrives here in 15 days, while Canadian and Australian coal arrives in 32 days."

Conflict of Interest

Speaking in Sao Paulo on 18 August on the strategic importance of Brazilian-U.S. relations, Flecha de Lima said that, from the Brazilian viewpoint, the factor that conditions commercial conflicts "is, essentially, the asymmetry of power." The ambassador added that this imbalance "exacerbates conflicts of interest or differences of opinion, even if they deal with specific matters. This situation is more visible in the economic-commercial area and, for this reason, media coverage is more dramatic." Examples of recent commercial conflicts between the two countries are those on informatics, patents, iron and steel, orange juice, services, government purchases and high tech.

Flecha de Lima said "the negotiations over hemispheric integration can become a "show-case" of that tension, if it is not managed with responsibility, discernment, and clearness of thought."

Criticism of U.S. Antidumping Law Viewed

PY2308182195 Sao Paulo AGENCIA ESTADO in Portuguese 0012 GMT 23 Aug 95

[Article by Edson Chaves Filho]

[FBIS Translated Excerpt] Rio de Janeiro, 22 Aug (AE) — Adelmo Melgaco, president of the Brazilian Association of Iron Alloys [Associacao Brasileira de Ferro Ligas — Abrafe], today criticized the new U.S. antidumping law, and charged the U.S. Government officials in charge of investigating antidumping cases with "abusing their rights" because they overlook in their analyses the influence of a country's internal factors, such as inflation. Stephen Powell, chief counsel for import administration of the U.S. Department of Commerce, has admitted that the law is "strict" and that it would have to be adapted in the case of Brazilian exporters.

Melgaco said Brazil is the fifth largest iron producer and the fourth largest iron exporter in the world, and "has faced many difficulties selling its products in the United States." During a lecture at the Trade Defense Seminar in Rio de Janeiro, Melgaco accused dumping case investigations with "being strongly manipulated by middle-level officials." He cited a case filed against a Brazilian enterprise that exports metallic silicon and said that the problem "was unexpectedly solved after Commerce Secretary Ron Brown intervened." He added that "Brown's intervention coincided with news that the U.S. company Raytheon had won the bid for the radar installations in the Amazon Region, within the framework of the Sivam [Amazon Region surveillance System] project."

The Abrafe president complained that the U.S. Government "rejects even the Brazilian accounting system." He admitted, however, that the antidumping law has been well drafted. Olev Salkas, director of Cosipa [Sao Paulo Iron and Steel Company] and of the IBS [Brazilian Iron and Steel Institute], shares Melgaco's opinion. He believes the iron and steel producing area "has been singled out by the U.S. Government." Salkas suggested that the situation of items that do not necessarily influence the final price of a product should be reviewed.

Aluisio Campos, economist of the Brazilian Embassy in Washington said that iron and steel are the products most affected under the new law. He added that he was not speaking on behalf of the Brazilian government. Campos deemed the law controversial, adding that as it has not yet been promulgated, it can be altered. [passage omitted]

Roundup of Economic Reports

PY2108130095

[FBIS Editorial Report] The following is a compilation of reports on economic activities in Brazil monitored through 14 August.

Production

The Brazilian Institute of Geography and Statistics, IBGE, today reported that industrial monthly production of 15 of the 20 items surveyed dropped from May to

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June. For instance, production of furniture dropped by 8.2 percent; textiles, by seven percent; and garments; by 7.8 percent; durable consumer goods dropped by 4.3 percent; and capital assets, by 2.3 percent. The IBGE noted that production of sem-idurable and durable consumer goods increased by 0.3 percent. (Sao Paulo AGENCIA ESTADO in Portuguese 1557 GMT 14 Aug 95)

The IBGE has reported that the Brazilian industrial production grew by 9.9 percent during the first year of implementation of the Real Plan. From January to June this year, industrial production grew by 2.5 percent compared to that of the same period in 1994, as a result of an 11 percent increase in the production of durable consumer goods, and of a 6.6 percent increase in the production of capital assets. IBGE experts noted, however, that the monthly surveys show that industrial production has clearly entered a declining stage. Overall production in June was 6.5 percent higher than that of May only because of the production in the chemical sector, which increased by 51.3 percent; and in the mining sector, which increased by 79.4 percent. These two sectors managed to bring their production back to normal after the oil workers' strike in May. (Sao Paulo AGENCIA ESTADO in Portuguese 1416 GMT 14 Aug 95)

Rio Doce Valley Company, CVRD, executive Helcio Guerra today reported that the CVRD will increase its gold production in 1995 by 3.5 metric tons. Thus, the CVRD expects to increase its overall annual gold production by 25 percent, climbing from 13.5 metric tons to 17 metric tons. Guerra said: "It is our goal to produce 30 metric tons annually within five years." The CVRD will increase its gold production in 1995 basically by putting the Tocantins-based Almas mine into operation. This mine is expected to produce 800 kg of gold per year. The Salobo copper project, which the CVRD is undertaking in partnership with the Mineracao Morro Velho, is already in full operation and — in addition to copper — will produce 8 metric tons of gold annually. In April 1996, the Caete mine will go into operation in Minas Gerais with an estimated annual production of 750 kg of gold. To implement its projects, the CVRD will invest R10 million annually in the area of production in the next five years. The CVRD annual income stemming from gold sales stood at R170 million in 1994. It has been estimated that this income will climb to R210 million in 1995, which is equivalent to eight percent of the CVRD overall income. (Sao Paulo AGENCIA ESTADO in Portuguese 2358 GMT 2 Aug 95)

Exports & Imports

According to figures supplied by the Foreign Trade Secretariat, Secex, Brazilian exports to Mexico have dropped by 50.46 percent during the first half of 1995 compared to that of the same period of 1994. From January to June this year, Brazilian exports to Mexico did not go beyond $264 million, compared to $535 million reported during the same period of 1994. In 1994, Mexico became the second largest importer of Brazilian products, namely machinery and equipment, from among the member countries of the Latin American Integration Association. (Sao Paulo GAZETA MERCANTIL in Portuguese 3 Aug 95 p A5)

Brazil will spend nearly 1.2 billion reals, R, this year to import nearly 5.3 million metric tons of wheat to complete the amount of eight million metric tons, which is the overall amount needed to meet the Brazilian domestic demand in 1995. Domestic wheat production and the government stocks total 2.7 million metric tons. According to wheat importers, Brazil has already imported 4.6 million metric tons of wheat — four million metric tons from Argentina and 600,000 metric tons from the United States and Canada. To meet the domestic demand, Brazil will have to import an additional amount of 700,000 metric tons. (Sao Paulo AGENCIA ESTADO in Portuguese 1804 GMT 2 Aug 95)

Privatization

The National Bank for Economic and Social Development, BNDES, today officially started the privatization process of the CVRD, the largest Brazilian mining company, by publishing in the DIARIO OFICIAL the respective notices for the selection of consulting companies that will evaluate and assess the CVRD. In addition to making an economic-financial evaluation of the CVRD, these consultants will be required to draw up a sale model. The CVRD may be auctioned by June 1996 and its proceeds may total somewhere between $12 and $14 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 2215 GMT 8 Aug 95)

Foreign, Domestic Investment

The Science, Technology, and Economic Development Secretariat of the Sao Paulo State administration today announced that 22 foreign and domestic companies have confirmed investments totaling $5.31 billion in the interior of Sao Paulo State over the next two years. The list includes Blockbuster, which plans to invest $40 million in a video rental project; Cargill, $50 million in chemical projects; Cebraco, $140 million in cement production; Compaq, $100 million in the informatics area; the Sao Paulo Iron and Steel Company,

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$550 million in the steel mill area; Dupont/Fibra, $170 million in textiles; Fiat, $80 million in the car industry; Ford, $75 million in the car industry; Fundemap, $20 million in the aluminum industry; General Motors, $2.2 billion in the car industry; Kaiser, $60 million in the brewery sector; Lacta, $35 million in the food industry; Latasa, $100 million in a project to manufacture packing materials; Mercedes, $180 million in the car industry; Philips, $220 million in the electronic industry; Procter & Gamble, $100 million, in a project involving hygienic products; Rhodia, $140 million in chemical projects; Santa Therezinha, $30 million, in a printing project; Vicunha, $70 million, in textile projects; Volkswagen, $500 million, in the car industry; Votorantim, $350 million, in cement production; and Wal-mart, $100 million in retail stores. (Sao Paulo AGENCIA ESTADO in Portuguese 2005 GMT 2 Aug 95)

Joel Mendes Renno, president of the Brazilian Petroleum Corporation, Petrobras, has announced that Petrobras will build another refinery in the northeast of Brazil in partnership with the Venezuelan state-owned company Venezuelan Petroleum, Inc. Renno said a decision on the refinery will be made during the last quarter of 1995. The states of Para, Maranhao, Ceara, Rio Grande do Norte, and Pernambuco are trying to have the refinery built in their territories. There are now 11 refineries in Brazil; all of them are owned by Petrobras. The new refinery will be capable of processing 200,000 barrels of oil daily. The total cost of construction of this refinery has been estimated at $1.6 billion. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 5 Aug 95 section 1 p 4)

Zenith, which manufactures the second highest-selling TV sets in the United States, and the Brazilian Dreams Group today officially announced their partnership to create Diamond Electronic, which will assemble TV sets and VCR's in Brazil, namely in Rio de Janeiro. The new company expects to start production of 21-inch and 29-inch Zenith TV sets in October. The Dreams Group is the largest chain that sells imported items in Brazil. Dreams is initially investing $20 million in this undertaking and it is thus entering the industrial area. The overall investment in this undertaking, which will create 400 direct jobs, is estimated at $60 million. Zenith is now controlled by the South Korean group LG Electronics. (Sao Paulo AGENCIA ESTADO in Portuguese 2009 GMT 4 Aug 95)

The England-based Iranian group Balli has just formed a partnership with the Santa Elisa sugar mill to set up a sugar mill in Patrocinio Paulista, which is close to Ribeirao Preto, Sao Paulo State. The project is estimated at $30 million. Balli will supply 20 percent of the capital and Santa Elisa, approximately half of it. Part of the funds needed will be loaned by the National Bank for Economic and Social Development, BNDES. The new sugar mill, which will operate under the name of Central Energetica Vale do Sapucai, Cevasa, is expected to be processing 500 million metric tons of sugar cane to produce 50,000 metric tons of sugar during by the next harvest. (Sao Paulo GAZETA MERCANTIL in Portuguese 14 Aug 95 p B16)

The Brazilian Rural Bank today opened in Montevideo, Uruguay, its first External Financial Institution, IFE. According to Rural Bank Vice President Juania Rabello, the bank opened the Uruguay IFE Rural Bank to obtain, by the end of 1995, at least $300 million in foreign funds for investments in Brazil. This level of deposits is unthinkable now in Brazil, Rabello said. She added: "The Uruguayan financial system is now paying 11 percent interest on deposits and it is charging 18-20 percent interest to borrowers. Thus, these funds may be invested in Brazil." She added that these funds may automatically be transferred to Brazil under the Common Market of the South. (Sao Paulo AGENCIA ESTADO in Portuguese 2351 GMT 1 Aug 95)

Iron and steel companies are increasing their investments by as much as 400 percent. The Sao Paulo Iron and Steel Company, Cosipa, which was privatized in August 1993, is planning to invest $588 million from 1995 to 1998. Cosipa will be investing $100 million in 1995, and $121 million will be invested in environmental control. The National Iron and Steel Company, CSN, is planning to invest $1.1 billion over the next five years; that is, $230 million annually compared to $45.7 million it used to invest between 1990 and 1994. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 14 Aug 95 p B12)

Darlan Jose Dorea, executive director of the Fund for Financing Machinery and Equipment, Finame, has reported that the Finame budget for 1995 stands at R4.9 billion, which is 25 percent higher than that of last year. Dorea said that from January to July, Finame disbursed R2.5 billion. He said the amount of loans increased for every sector, except for the area of agricultural implements, which dropped by 31 percent. Loans for agricultural implements amounted to R289 million during this period compared to R420 million disbursed during the same period in 1994. (Sao Paulo AGENCIA ESTADO in Portuguese 2101 GMT 1 Aug 95)

Foreign Credit & Aid

Finance Minister Pedro Malan signed in Tokyo on 31 July two loan contracts totaling $300 million. The funds will be disbursed by the Japanese Eximbank and they

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will be earmarked for doubling the production of the Brazilian-Japanese Cellulose Corporation, Cenibra; and a $100 million line of credit for foreign trade to the Bank of Brazil. The Japanese Eximbank will thus resume its loans to Brazil after three years. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 1 Aug 95 p B5).

Foreign Reserves

The administration was able to increase the Brazilian foreign reserves by $7.4 billion in July, thus causing a turnaround in the current accounts situation and bringing the overall foreign reserves to nearly $40 billion again; that is, to the level of December 1994, prior to the Mexican crisis. Yet, as a result of the increase in reserves, the Brazilian debt in bonds will also increase by $3 billion in just one month. A Central Bank official said: "The problem is that the interest rates charged at home are higher than those drawn by our reserves invested abroad. As a result of the Mexican crisis and the exchange measures adopted in March, the Brazilian reserves dropped to $31 billion in March. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 2 Aug 95 business and finance section p 12)

Revenues & Expenditures

Beginning on 1 January, the Sao Paulo administration has reduced the rate of the Good and Services Movement Tax, ICMS, applicable to computer items from 12 to seven percent to protect computer companies based in Sao Paulo. Clovis Panzarini, coordinator for tax revenues at the Sao Paulo Finance Secretariat, said: "In light of the benefts offered at the Manaus Free Zone, ZFM, and in Parana State, the Sao Paulo government decided to do this to make computer items manufactured in the state more competitive." The ICMS rate applicable to computer items in Manaus stands at four percent, while the rate in Parana is zero. Panzari noted that the ICMS reduction implemented under the administration of Governor Luiz Antonio Fleury Filho. Incumbent Governor Mario Covas said the ICMS tax reduction on computer items is not part of any fiscal war. Covas said: "It was just a defensive measure that does not benefit any Sao Paulo companies, but the consumers." (Sao Pualo AGENCIA ESTADO in Portuguese 0038 GMT 4 Aug 95)

The Goods and Services Movement Tax, ICMS, revenues have declined in Parana State since April, primarily due to taxpayers' failure to pay their tax. Parana Finance Secretary Miguel Salomao said: "There are clearly liquidity problems in our economy owing to the high cost of money and to the slowing down of the economy." ICMS revenues totaled nearly R148.2 million in June in Parana. The highest ICMS collection month was April, when revenues stood at R245.3 million. (Sao Paulo AGENCIA ESTADO in Portuguese 0012 GMT 1 Aug 95)

ICMS revenues in Minas Gerais State have steadily declined in recent months. ICMS revenues totaled R371.2 million in April, which were 14.8 percent lower than those of March. ICMS collection in May was 5.7 percent higher than that of May. In June, the ICMS collection stood at R389.4 million, which was 2.3 percent lower than that of May. Minas Finance Secretary Joao Heraldo Lima noted, however that the dwindling ICMS revenues is not critical. Revenues from January to June 1995 have totaled R2.2 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 0012 GMT 1 Aug 95)

Lytha Spindola, assistant secretary of the Federal Revenue Secretariat, SRF, has reported that the SRF revenues in July totaled 6.677 billion reals, R, which is 9.6 percent lower than the June figures, when revenues totaled R7.392 billion. Spindola noted, however, that the revenues for July 1995 were 42.63 percent higher than those of July 1994. The all-time record in revenues this year was obtained in May, when revenues totaled R8.257 billion. The SRF has collected a total of R48.365 billion in revenues from January to July. This figure is more than half of the estimated overall revenues for 1995: R83 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 2215 GMT 4 Aug 95)

Inflation

The Getulio Vargas Foundation reported on 9 August that inflation stood at 2.24 percent in July based on the General Price Index- Internal Availability, IGP-DI. This rate represents a 0.38 percent drop compared to the June rate, when inflation stood at 2.62 percent. The inflation decline stems from the Consumer Price Index dropping from 4.39 percent in June to 2.63 percent in July, and from the National Construction Cost Index dropping from 3.12 percent in June to 1.09 percent in July. The wholesale price index rose, however, from 1.55 percent in June to 2.24 percent in July. Prices of consumer goods increased from 2.40 percent in June to 2.65 percent, and those of production goods increased from 1.04 percent in June to two percent in July. Prices of agricultural products increased from 0.55 percent in June to 3.38 percent in July; but prices of industrial products decreased from 1.52 percent in June to 1.28 percent in July. (Sao Paulo AGENCIA ESTADO in Portuguese 2243 GMT 9 Aug 95)

Company Profits

Cosipa has reported a R29.9 million profit during the first half of 1995. The company is now planning to open

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its sea terminal to shipments by third parties. During the first half of 1994, Cosipa had reported a R44 million loss. This year, Cosipa's sales totaled R754.2 million from January to June this year, which is 25 percent higher than that of the same period in 1994. Cosipa produced 1.69 million metric tons of liquid steel for manufacturing 1.43 million metric tons of manufactured products, 982,000 metric tons of which were intended for the domestic market, and 419,000 metric tons for the international market. (Sao Paulo AGENCIA ESTADO in Portuguese 2234 GMT 1 Aug 95)

Cost Of Living

The Getulio Vargas Foundation has reported that the Consumer Price Index in the city of Rio de Janeiro, IPC-RJ, stood at 2.09 percent in July, which was 3.97 percent lower than that of June, when it stood at 6.06 percent. The above rate stems from the following increases: health expenses, 3.90 percent; housing expenses, 3.89 percent; utility rates, 3.15 percent; personal services, 2.93 percent; household items, 2.44 percent; and garments, 2.37 percent. (Sao Paulo AGENCIA ESTADO in Portuguese 2112 GMT 8 Aug 95)

Domestic Consumption

The Brazilian domestic consumption of electricity increased by 8.4 percent during the first half of 1995 compared to that of the same period in 1994. (Sao Paulo GAZETA MERCANTIL in Portuguese 4 Aug 95 p A6)

Public Accounts

National Treasury Secretary Murilo Portugal has reported that the payment of 50 percent of the Christmas bonus to public servants has provoked a R472 million treasury deficit in July. This has been the second monthly treasury deficit since the implementation of the Real Plan. The first one occurred in February, when the deficit stood at R1.7 billion. At that time, Portugal blamed a 24.07 percent wage increase to public servants for the deficit. The accrued treasury deficit thus far this year stands at R1.331 billion, which is 43 percent lower than that reported during the first half of 1994. In July, treasury revenues totaled R7.208 billion, while expenditures amounted to R7.680 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 2303 GMT 10 Aug 95)

According to data supplied by the Special Secretariat for State Enterprises, Sest, during the first half of the 1995 alone, state-owned companies have already exceeded by R526.7 million the investment ceilings set for 1995 by the budget law. Seven state-owned telecommunications companies are the main offenders. Bahia Telecommunications, Inc., Telebahia, was authorized to spend R8.9 million, but it already spent R114.3 million; that is, it exceeded its ceiling by 1.191 percent. Minas Gerais Telecommunications, Inc., Telemig, was authorized to spend R24.6 million, but it already spent R112.5 million; that is, it exceeded its ceiling by 355 percent. Sao Paulo Telecommunications, Telesp, was authorized to spend R166.7 million, but it already spent R346.7 million; that is, it exceeded its ceiling by 107 percent. Brasilia Telecommunications, Telebrasilia, was authorized to spend R32.8 million, but it already spent R75 million; that is, it exceeded its ceiling by 129 percent. Rio de Janeiro Telecommunications, Telerj, was authorized to spend R54.8 million, but it already spent R108.9 million; that is, it already exceeded its ceiling by 98 percent. Parana Telecommunications, Teleparana, was authorized to spend R38.6 million, but it already spent R75.3 million; that is, it exceeded its ceiling by 94 percent. Goias Telecommunications, Telegoias, was authorized to spend R35.2 million, but it already spent R58.4 million; that is, it exceeded its ceiling by 60 percent. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 5 Aug 95 business and finance section p 12)

In 1992, the federal administration was forced to assume a $25 billion debt provoked by state-owned power companies and their concessionaries. Yet these companies continued to provoke losses to the Brazilian Electric Power Company, Inc., Eletrobras. Mines and Energy Minister Raimundo Britto yesterday told the Senate Economic Affairs Committee that the debt of state-owned companies to Eletrobras totaled R2.6 billion as of July this year, 80 percent of which are owed by Sao Paulo state-owned power companies. This fact was again criticized by lawmakers from less developed states, namely Bahia Senator Antonio Carlos Magalhaes who regarded as proof of the preferential treatment given by the federal administration to Sao Paulo State. (Rio de Janeiro O GLOBO in Portuguese 9 Aug 95 p 26)

Employment

The Sao Paulo State Federation of Industries, FIESP, has reported that Sao Paulo industrial companies fired 29,406 workers in July. This represents a 1.26 percent drop in the July employment level compared to that of June. This has been the worst monthly employment report since February 1991, when employment dropped by 1.61 percent compared to the previous month. FIESP research director Horacio Lafer Piva said the July rate left FIESP members extremely concerned. Since 1990, Sao Paulo companies have eliminated 580,000 jobs, which would be equivalent to a 20 percent reduction in jobs. Lafer Piva said he is concerned because the wave of dismissals is not over yet. The accrued employment rate from January to July 1995 is 0.61 percent lower

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than that of December 1994, which means that 14,762 lost their jobs. Yet, over the past 12-month period, the employment rate has increased by 0.96 percent, which means that 26,021 workers are still working thanks to the Real Plan. The largest number of dismissals was reported in rubber companies, textile factories, and manufacturers of fertilizers. (Sao Paulo AGENCIA ESTADO in Portuguese 2323 GMT 7 Aug 95)

Market Operations

On 4 August, the Central Bank, BC, ordered the second cut in interest rates affecting overnight market operations in less than a week. Thus far this month, the BC has reduced the overnight interest rates from 3.90 percent to 3.84 percent. Expectations on the futures market are, however, signaling a further interest rate cut to bring it down to 3.71 percent. This has been the lowest rate since February, before the BC introduced changes to the exchange banding system. It is believed that the BC is ordering these interest rate cuts in light of the improvements in the area of the Brazilian external accounts. (Sao Paulo GAZETA MERCANTIL in Portuguese 7 Aug 95 p B1)

Colombia

FARC Front Releases U.S. Journalist Thomas Hargrove

PA2308154095 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 23 Aug 95

[From "Caracol's 0600 to 0900" newscast]

[FBIS Translated Text] Cali — Not one single peso was paid for the release of U.S. journalist Thomas Hargrove, whom the 6th Front of the FARC [Revolutionary Armed Forces of Colombia] has held hostage for 11 months, after being kidnapped on 23 September in front of the Mexico Farm on the road from Puerto Tejada in northern Cauca Department to the International Tropical Agricultural Center [Centro Internacional de Agricultura Tropical] [CIAT] in Palmira, where he has worked as chief editor since 1992.

Wearing a thick beard, eyeglasses, long hair and a shawl with Indian motifs, Hargrove met his wife and children and has told them he will return to his job at CIAT to continue his research work on rice. That will be just marvelous, he added.

He has said he was released two days ago, adding: I walked a great deal, but on my way, I met Colombians who helped me cover part of the distance by motorcycle and another one by car until I arrived home. I am happy to be back, he has said.

Hargrove, 51, is a rice expert. He conducted his most recent research in Rwanda, where he took seeds for planting and then analyzed the growing process. He is believed to be one of the top 100 agricultural scientists in the world.

Hargrove's family received from the guerrillas in June the last proof that Hargrove was still alive. There were no further contacts after that, until his wife and two of his children requested the assistance of Colombian organizations to obtain his release.

Liberal Party President Rejects Andres Pastrana's Proposal

PA1908042395 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 18 Aug 95

[Interview with Dr. Luis Fernando Jaramillo, president of the National Directorate of the Liberal Party, by Dario Arizmendi and an unidentified reporter in studio; from the "Caracol's 0600 to 0900" newscast — live]

[FBIS Translated Text] [Arizmendi] Dr. Luis Fernando Jaramillo, good morning.

[Jaramillo] Good morning. How are you, Dario?

[Arizmendi] Do you agree with what Dr. Andres Pastrana Arango has said?

[Jaramillo] Of course not, especially because Dr. Pastrana says that the president should step down because he has so many elements of power in his hands and insinuates that he can influence the justice system. What he is saying, in other words, is that the Supreme Court of Justice, the Prosecutor General, or that the Chamber of Deputies's Accusation Commission, do not have the freedom or enough integrity and the capacity to independently judge, and are influenced by the president and this is why he must step down. No risks, no way. This is not so at all.

[Reporter] No way, as Dr. Serpa would say.

[Jaramillo] Yes, as Serpa would say. But anyway, this is not that way, this cannot justify a request for the president to step down. In addition, it is the president himself who has requested that the Accusation Commission and the president should also be allowed his quarter hour [segment of this newscast is called quarter hour] worth of justice, that he be granted due process. But now we are condemning him before he is being tried. Let us allow the justice system to act freely.

[Reporter] Dr. Jaramillo, what political interpretation do you give the fact that after one year of silence Dr. Pastrana has precisely now come out to speak of these national matters just when this crisis is taking place?

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[Jaramillo] Precisely what he says he is not doing: taking advantage of the situation.

[Reporter] Opportunism?

[Jaramillo] I think this is opportunism and the man who is muddling the issues to take advantage of the situation. This is very clear.

[Reporter] Some political analysts are saying that Dr. Andres Pastrana is already carrying out a political campaign and constitutionally his proposal cannot be complied with, cannot be realized.

[Jaramillo] Well, the constitutional problem will have to be solved by experts on the matter, meaning the constitutionalists, but what is evident, what is clear as daylight, is that he is obviously involved in a political campaign. He has resumed the campaign that ended with his defeat in the presidential elections and he has again launched his political campaign. Among other things, he evidently has the right to do so, but he does not have to trample institutions and the president's right, like all the Colombians' right, to defend himself.

[Arizmendi] Will there be an official statement from the Liberal Party's National Directorate?

[Jaramillo] Well, we will have to wait and see what happens. I do not think Pastrana's proposal is worth so much attention. I think he is mainly casting doubts on Colombia's legal institutions, the Supreme Court of Justice's capability to issue a legal ruling, the capability of the Prosecutor General's Office to file charges and independently handle legal problems, and even on the Chamber of Representatives' Accusations and Investigations Committee, the constitutional body that must issue the first ruling concerning a political trial against the president. No, no, sir. We have here institutions that are independent and can issue a legal ruling; and the president of the Republic must be given the opportunity to defend himself. We must allow a legal process against the president and we must not condemn him beforehand as Pastrana, the candidate, as the new presidential candidate, is doing.

[Arizmendi] Dr. Luis Fernando Jaramillo, president of the Liberal Party's National Directorate, after Pastrana's statement on television last evening, he practically contradicts or opposes his party, the Social Conservative Party. The party ratified, through the parliamentary board, the presence of Social Conservative Party ministers in the Samper Administration's cabinet.

[Jaramillo] Of course. He evidently contradicts his own... [pauses] Well, we do not actually know if he is a member of the Social Conservative Party or not. On certain occasions he is but on others he is not, according to the circumstances. Nevertheless, he openly opposes the Social Conservative Party's guidelines, which has stated that it will remain in President Samper's Government and, in a certain way, it participates in the government's administration.

Colombia's Samper Queried on Drugs, Guerrillas

95EN0350C Berlin DIE TAGESZEITUNG in German 13 Jul 95 p 9

[Interview with President Ernesto Samper Pizano, by Ralf Leonhard; place and date not given: "Beginning of the End of the Cali Cartel"—received via Internet]

[FBIS Translated Text] *When it was reported on 9 June that Gilberto Rodriguez Orejuela, the head of the Cali drug cartel, had been captured, President Ernesto Samper Pizano was able to draw a sigh of relief. The 44-year-old economist, who was elected president only last year, was finally able to show some success. Since then, Jose Santacruz Londono, the third man in the cocaine mafia hierarchy, has also been captured, and three other leading members have voluntarily turned themselves in, pressured by the army and the police.*

[Leonhard] One of the most important heads of the Cali cartel has been arrested in the last few weeks. And now?

[Samper] Now people will no longer be able to say that they doubt the resolve of my government. Seizing the visible head of the cartel, Gilberto Rodriguez Orejuela, was the beginning of the end of the Cali cartel. I have better things to do than to collect the heads of drug dealers. But we must reduce the influence of the drug trade in society and in the economy. The arrests contribute to this, as well as to eradicating the banned crops, introducing alternatives to cocaine growing and measures against money-laundering.

[Leonhard] Your defense minister has admitted that a number of smaller cartels have long ago sprung up. What does the government know about this?

[Samper] These are offshoots of the Cali cartel. We will prevent this phenomenon from metastasizing.

[Leonhard] Did that not take place a long time ago?

[Samper] Not at a level comparable to that of the Cali cartel. There are still small mafias which occasionally ship drugs but do not possess a permanent transportation network. We are trying to crush them before these cartels grow and are able to consolidate.

[Leonhard] Do not the market shares over which the Cali cartel lost control almost automatically go to others?

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[Samper] I am not certain about that. The price of coca paste from which cocaine is extracted dropped from $1,200 at the beginning of the year to $430. If the Cali cartel's major demand had simply been taken over by others, the price would have stayed the same.

[Leonhard] Many say that the arrest of Rodriguez Orejuela saved your presidency. Are they right?

[Samper] I am capable of representing my people with dignity—just as before. But now I have more room to move, in order to ask for support internationally, because the drug trade is an international problem.

[Leonhard] Would your predecessor Cesar Gaviria be secretary-general of the Organization of American States today if he had not bagged Pablo Escobar?

[Samper] Surely not.

[Leonhard] The second important issue for your government is concluding peace between the various guerilla groups. What is the status of that? The guerrillas live partially on kidnapping and protection money for the drug dealers. Are they really interested in an agreement?

[Samper] All the conditions have been set for the guerrillas to enter the peace process. We have offered a peace with the following elements: First, we must agree on humanizing the conflict—even if we are not capable of ending the war we should avoid more innocent people falling victim to the war. I refer to the campesinos who are mutilated by homemade mines, those who have disappeared, the tortured ones, the kidnapped ones. The constant attacks on the oil pipelines must also be dealt with under this point. Second, we are prepared to negotiate peace in the middle of the war. It is not possible to demand, as a precondition to ending the war, that there should be no more war. Third, in the event of demilitarization I have offered the rebels guarantees for their lives and incorporation into society. Very far-reaching guarantees, which have cost me a lot of headaches with the hawks in the armed forces.

[Leonhard] So much so that a few days ago you made it clear to the military: "I am in command here!"

[Samper] I really had to confirm my constitutional authority, and I just said: "I am in command here!" Just like sometimes domestic conflicts must be solved with clear words, it is the same sometimes at the national level.

[Leonhard] Can the problem of violence be cleared up simply by means of an agreement with the two guerrillas FARC [Revolutionary Armed Forces of Colombia] and ELN [National Liberation Army], or must negotiations simultaneously be held with the militias and the right-wing paramilitary as well?

[Samper] The agreement must be integral, meaning that the paramilitary must also be included. But the solution must look quite different for them, because the paramilitary do not pursue a subversive strategy against the democratic system.

[Leonhard] Apparently the army is raising difficulties as regards the demilitarization of the Uribe zone intended for negotiations. Are you not running a danger of signing an agreement that will later be sabotaged?

[Samper] I do not think so. We are in constant contact with the general staff. The highly placed military people have known from the beginning about the strategic military reasons in the various versions.

[Leonhard] As president you still have a little more than three years. What is the schedule for the peace?

[Samper] We began with the concept of our proposal; that was an exploratory phase. Then the phase of preparing the negotiations began. Now we have opened the phase of peace negotiations. I am hoping for a clear answer from the rebel groups as to whether they want peace. As soon as we have it, we are ready to sit down and negotiate.

New Defense Minister Profiled

95CA0347A Santa Fe de Bogota EL TIEMPO in Spanish 13 Aug 95 p 24A

[Profile of Defense Minister Juan Carlos Esguerra: "A Left-Handed Defense Minister"; first two paragraphs are EL TIEMPO introduction]

[FBIS Translated Text] *For Juan Carlos Esguerra, duty comes first.*

The new minister of defense learned to march at school. He is strict and misses his father, who remains "a rock of reference" for him.

Even when Juan Carlos Esguerra Portocarrero was only ten years old and heard his father saying "These are men's plans," he already knew what was afoot. It was their day to go to the wrestling matches and see "The Tiger" or "The Mask" or perhaps even the "Phantoms."

His mother and sisters Saturia and Leonor stayed at home. The four boys, taken in hand by the father, would head for La Santamaria Bullring or El Campin arena to learn the difficult moves taught to them by Professor Contreras, moves they would practice in the rudimentary ring they set up at home.

Sometimes the wrestler would fall only yards away from the Esguerra family, and they loved to see him up close, so big and strong. For the children, however, the last fight was the best, "because of three ingredients: no

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referee, no set time, and no holds barred," Juan Carlos remembers.

Occasionally, the "men's business" also included Juan Carlos' friends, the kids from "the block," the ones who called him "Cao" because they could not pronounce an "l." They would all get together in the street and play with toy cars or try out the German they learned at the Colegio Andino, or practice military marching.

It is the reason why Esguerra Portocarrero will not trip over his own feet in the military parades. He can follow a march beat and even do the goosestep, among the most difficult, strutting straight up and lifting each leg waist high. He learned it at the German school during the two months that he and his comrades practiced for the 20 July parade.

Nevertheless, because all things fade with time, Esguerra Portocarrero knows that before assuming office as minister of defense at 46 years of age, he will have to "brush up."

"If I Had Known"

During his years at school, he also fell in love for the first time with a girl named Patricia (he will not reveal her last name). "I was always in love."

At Javerian University, where he studied law, he again fell in love with "Tica," the sister of the now chief justice of the Supreme Court—and, years later, became desperately infatuated with Julia, the student who would become his wife.

He may not have been the best-looking boy in the class, but he had a way with women, his friends say, partly because of how nice he was, his fine sense of humor, his typically Santa Fe remarks. "A way with women? No way!" he says with surprise. "If I had...."

Nevertheless, his wife says that "Juan Carlos is a harmless flirt," a remark he clarifies: "I admit I am a flirt, although rather than being a flirt, I would say gallant." He explains that when he was a student, he did have a way with women, but winning their heart was something else. "The romantic part did cause me some problems. You just don't know how difficult it was to win Julia, for example."

This was true, first of all, because she was one of his students of constitutional law in her third year of studies, and he did not get involved with his students. Second, she already had a boyfriend, and only after she went through her final exam and he gave out the grades did he ask her out. As far as the boyfriend was concerned, Juan Carlos had patience, and plenty of it!

His friends helped him out sometimes, particularly in the serenades for girlfriends and potential girlfriends, because if they did not fall into his arms because of his humor, they would "fall" for his serenades of Colombian music: "La gata golosa," "Las brisas del pamplonita," and "Las cuatro preguntas."

He reserved a special serenade for the girl who would become his wife. Mainly for the music, but also because he was madly in love, he took a trio to Anapoima, where her family had a ranch. So smitten was he that he patiently consented to the year-long engagement and her terms: They would indeed marry, but only after she finished her education. However, he also endured the many bites from the ants he stepped on the day he went to Anapoima to ask for the hand of his future wife.

By that time, he was already living alone, quite against the wishes of his parents, who never could understand how their eldest son could leave home—not to get married, which would be normal, but simply to live independently. "Those were two important years during which I learned a lot, because there were days when I would walk into the apartment to find myself in the agreeable company of no one but myself!"

They were married on 10 December 1982, when she was 23 and he 34. He "caught" all three of his children: Juan Carlos, 11; Cristina, 8; and Nicolas, 4. He was the first to hold them in his arms after helping his wife through the delivery. Because of that experience, when someone mentions the danger of his new post to him, he replies with certainty, "I am not afraid of death, but I'm no kamikaze! The day I caught my first son, I acquired more awareness of life and also became more attached to it!"

The difference in age between him and his wife has never been a problem, although he prefers classical music, boleros, and *bambucos*, while she likes something more modern—Carlos Vives, for example. Even though he loves to dance, "we have our problems of arrhythmia and disrhythmia," he says, laughing. He is stiff like his father; she, much more flexible.

Left-Handed and Strict

He is left-handed, a fan of the Santa Fe soccer team, and very attentive to his wife—he always gives her 24 red roses from "Don Eloy" and calls her to tell her where he is and at what time he will be home. He is unbending on positions he finds it difficult to change if there are no convincing arguments. He is somewhat stubborn, strict as a professor, bad-tempered as a driver—a teacher teaching civics to other drivers—and traditional and formal in his manner of dress. His clothes all have the same cut.

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He is irascible when he has a headache,—nearly every day, despite medical treatments—and he likes to take care of every last detail in the interior decorating of their home. His house has no curtains because he wants to pick them out himself, but has not had time. He tends to drink red wine, eat peanuts, and ask for beans when they go out for lunch. While getting ready, he has the odd habit of eating breakfast in, of all places, the bathroom.

The fact is that he is so strict with himself that he does not take time for himself, not even to play squash or sleep in on Sundays. Nor does he sit down at the table and eat his breakfast in peace, much less share more time with the family. It is one of the precise reasons why there are only occasional discussions at home, perhaps because when he was at school he was always told: Work before pleasure.

He is awake by 0520 hours. For the time being, he is maintaining his routine, which he will change once at his new post. He gets the children up with games and whistles. He takes them to the schoolbus stop at 0630, returns home to work on the book he is writing, "Mecanismos de proteccion de los derechos en la Constitution de 1991" [Mechanisms for Protecting Rights in the 1991 Constitution], then heads for Javerian University, where he is dean of the Law School.

His father is not a point of reference; "he is a rock of reference." That is why his friends, mother, and wife say that the day he wept the most and when they saw the most sadness on his face was 2 September 1989, when his father died of a heart attack.

It was because of him, among other things, that Juan Carlos studied law. He stopped smoking because of him so that his father would also give up cigarettes, as the doctor had asked him to do And because of him, the phrase he recalls every time he takes up a challenge is: "The harshest judges a human being will ever have are his children and his students."

His father's death still pains him. "Sometimes I have an overwhelming feeling of being orphaned." Sometimes he wishes his father had been alive to see him become dean of the school where he also taught law, to know he became a member of the National Constituent Assembly, was on a list for prosecutor general and named a government adviser—"but removed from it" to be appointed as the new defense minister.

"How much I needed him!" he says, recalling when he had to decide whether to run for the Assembly representing the Movement of National Salvation and whether to accept the Defense Ministry appointment. At such times, he always asked himself—or his mother: "What would my father have told me?"

Current Political Crisis Assessed

95CA0337A Santa Fe de Bogota SEMANA in Spanish 8 Aug 95 pp 38-43

[FBIS Translated Text] The month of May 1993 was elapsing, and Ernesto Samper Pizano's election campaign was beginning to warm up its engines. At that time, the now president of the Colombians was preparing to leave the embassy in Spain, which had become a kind of winter quarters from which the strategy for enabling this Bogota attorney to reach the chief executive's office in 1994 was starting to be devised. By then, Samper had selected his principal collaborators and, from time to time, was meeting with them and with foreign advisers to analyze his future plans and the method for implementing them.

As part of this process, he organized a meeting in Cartagena to determine the guidelines of what would be his presidential campaign. The summit took place at the Hilton Hotel in the Heroic City [Cartagena], with Fernando Botero, Rodrigo Pardo, and other closely associated strategists present. And, since nowadays there can be no campaign without U.S.advisers, Peter Hart, an expert in image management and political strategy, was added to the group. The latter had been studying hefty volumes of polls, the future candidate's political career, his strong and weak points, his perception on the part of the electorate, and things of that nature.

After an audiovisual presentation, with all the pertinent technology, the adviser made his diagnosis: candidate Ernesto Samper had strengths and weaknesses. But, in any case (according to the numbers), he was not an optimal candidate in marketing terms, as his disadvantage compared with Andres Pastrana was indicating. However, the Liberal Party's majority was such that a victory was likely, provided that he made no mistakes. Hart claimed: "The greatest risk his campaign runs is that it may be associated with money from the drug traffic." That highly specific recommendation, according to the analyses, was based on the fact that this was the only Achilles' heel that could cost him the election.

Two reasons converged for reaching this conclusion. On the one hand, world opinion had a spotlight on Colombia as the epicenter of drugs in the world; and, on the other, Ernesto Samper's resume had some insignificant real life incidents which, however, appeared bad *a posteriori*. While chairman of the ANIF [National Association of Financial Institutions], he had proposed the legalization of marijuana nearly 20 years ago, when a joint was associated with *hippies* rather than with bullets. And later, in 1982, during Alfonso Lopez' presidential campaign, he was present at a meeting at which a political group of dubious repute, including the future

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representative in the House of Representatives, Pablo Escobar, gave the Antioquian treasury a contribution of 19 million pesos. A couple of years later, that group of anonymous newcomers would set themselves up as what was called the Medellin Cartel. Both episodes were understandable at the time, but in view of the progress made by the drug traffic in Colombia during the previous 10 years, the context in 1993 was different: hence Hart's recommendation.

The preceding story is worth mentioning, because if one had to summarize in a single sentence the origin of the institutional crisis being suffered in Colombia today, that sentence would have to be: Ernesto Samper's campaign appears to have committed the only mistake that it could not commit.

The Slip

Because of this mistake, before Miguel Rodriguez' capture on Sunday a total uncertainty prevailed, and people had started asking questions that would have been unthinkable a few weeks earlier: Could the government fall? What could the president do to sustain himself? If he should fall, who would his replacement be? What implications would this have for the country? And, what would be most beneficial for Colombians? And, after Rodriguez' arrest, a new question arose: To what extent could that blow struck by the police save the president?

The strange part is that we have reached this situation during the very week in which the government completes its first year. But, whether justly or unjustly, it is a reality that is up for discussion. Last week, Colombia was in an interim situation, because the government's activity was at a virtual standstill, and the economic processes were suspended. Indexes such as the decline in the stock exchange or the rise in the price of the dollar are immediate symptoms of these conditions, but the medium and long-term consequences are more deepseated.

What led the country to this overwhelming predicament in a matter of days? There is only one answer: Santiago Medina's unsworn statement published in the newspaper EL TIEMPO on Thursday, 3 August. The confession of the ex-treasurer of Ernesto Samper's campaign constitutes the most serious list of charges brought against a government in Colombia's contemporary history. All the Colombians who experienced the agony of reading those three pages in the Santos' newspaper are agreed on one thing: If what Santiago Medina claims is true, the government would be on a tight-rope. Hence, the future of this administration depends on what is true and what is not in that testimony.

Medina's statement obviously has a little of everything: inaccuracies, half-truths, and truths. It contains uncertain and even blatantly false claims, such as an account of the non-existent kidnapping of Daniel Samper, which was nothing more than a kidnapping threat. It has produced discrepancies on dates of meetings, the number of attendees, and interpretations of what was discussed at them. It contains obvious exaggerations, such as an alleged personal friendship between President Samper and the Rodriguez Orejuela brothers: the very two kingpins whom the Samper government captured just three months ago. Medina also describes some situations that appear serious, but are not, such as the case of irregular electoral practices that were accepted in the past but are about to be categorized as crimes today.

However, just as there are some things that seem serious and are not, there are many others that could hardly be more serious: concretely, the matter of Medina's charges regarding the financing of the campaign by the Cali Cartel. The sections on this subject are terrifying. They are replete with details that cause an impact. What is even more serious, they are often accompanied by documents submitted by Medina as supporting evidence. In specific terms, in his unsworn statement Medina claims that, with his superiors' knowledge, he obtained 1 billion pesos for the first electoral vote, and another 4 billion for the runoff vote, from that criminal organization. There is a detailed account of how the money was invested, how an attempt was made to conceal the fact for a year after the appearance of the "narco-cassettes," and how Medina finally "exploded" and decided tell all everything. It claims that he did so against the will, not only of the government officials who were pressuring him not to talk, but also of his own attorney.

It is this chapter of Medina's statement that had the government on the razor's edge last week. Thus far, his veracity has not been established, because the Prosecutor General's Office has not yet made its pronouncement. There has been an attempt to discredit all of Medina's testimony, by putting in evidence its gross inaccuracies in other respects, and comparing the content of his final confession with that of his two previous statements, when he denied everything.

What Happened

Under normal circumstances, it would have been logical merely to wait for the arrival of the court verdicts. Nevertheless, given the seriousness of the accusation, the country was submerged in confusion. Since, in this entire episode, not only is the government's future at stake, but also the reputation of many persons, SEMANA deems it fitting to analyze various aspects

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of this entire puzzle. Its purpose is to shed light on the present situation.

To understand what is happening now, it is necessary to take an inventory of what has occurred during the government's one year of existence. Since the notorious "narco-cassettes" made their appearance, everyone has been aware that something happened during the presidential campaign. To the majority of the public, it was nothing more than an incident involving hot money: something that no longer surprises anyone in Colombia. To a few well informed sectors, the matter was more serious. This group included the United States Government, a few congress members, a handful of journalists, and the agencies in charge of national security. In these circles, it was presumed that the financing of the campaign had been massive, with the knowledge of at least the central treasury of that campaign.

Every once in awhile some incident that seemed to confirm these acts was coming to light, but it was never definitive. Andres Pastrana's charges were followed by those of Joe Toft; next, the certification problem; later, the opening of process 8,000, and the arrests of Eduardo Mestre and Alberto Giraldo; and, finally, the explosive statements of the priest, Bernardo Hoyos. Although the story was always the same, no one had contributed definitive evidence, and the country began losing the capacity for shock, in view of the constant repetition of the same scandal. It seemed as if things would remain that way, and that the government would have to bear, for four years, the brunt of the rumors concerning the campaign financing.

However, everything changed with Medina's unsworn statement. For the first time, the gossip became what the public considered to be serious clues. The confession of a treasurer in a campaign is like that of an accountant in a business firm. He is the only important person who knows everything. Therefore, and because of the excessive details in his unsworn statement, most people who read it reached the conclusion that, although there were many inaccuracies, the main accusation had some grounds. This was a general sense which, although not based on judicial evidence, nevertheless, because it was in the air, had the president on a tightrope until early Sunday morning, when the capture of Miguel Rodriguez occurred in Cali.

What Can Be Proven

Even if Medina's assertions are true, they will not be easy to prove: in the first place, because most of that money would have entered in cash, and proving entry in that form is impossible. Medina claims that he submitted concrete evidence to the Prosecutor General's Office on how the funds were spent: in other words, the names of the persons who ultimately received them, or the accounts in which they ended up. This would create a complex legal situation, wherein there is evidence of the egress and not of the entry: that is, of the destination but not the origin.

On the other hand, even if it is made clear, another legal problem would be to prove who knew and who did not. Santiago Medina refers to talks with Fernando Botero and Ernesto Samper, but both have categorically denied the validity of such claims. This means that, so long there is no documentary evidence, the episode would be left confined to Medina's word against that of those two, unless the Prosecutor General's Office could go further from an evidenciary standpoint. The situation at present is that the public believes more in Ernesto Samper than in Medina, but it gives even more credence to Prosecutor General Alfonso Valdivieso than to the president.

Within the Prosecutor General's Office, the widespread feeling is that Medina's main accusation is true. After a year of investigating the case, many indications point to that, and the ex-treasurer's confession was received more as a confirmation than as a revelation. Since the current prosecutor general might end his term in March, there is haste to reach a decision in the matter. Moreover, there is a hard line and a soft line in the Prosecutor General's Office. The more moderate one is Prosecutor General Valdivieso, but there are some fanatics in his troops. They all think that they are faced with the historic responsibility of going to the final consequences in one of the most crucial chapters in the nation's history. They add that they will go as far as the evidence leads them.

In the middle of this entire scenario is the president of the republic. Faced with public opinion, Samper is moving between heaven and hell: he has moved from unanimous applause, in Colombia and abroad, for the captures of those comprising the Cali Cartel's top echelon, to more caustic criticism because of the evidence that there was money from that same cartel financing his campaign. And this weekend, when his situation was more critical than ever, and columnists such as Enrique Santos Calderon were proposing, up front, the president's possible fall, Miguel Rodriguez' capture assumes the proportions of a miracle that could be his salvation.

The Possibilities

In the first place, it must be clearly understood that what happens to the president of the republic will depend more on the political than on the penal situation. It is very difficult to link Ernesto Samper legally to Medina's claims. And, although it might eventually be proven that

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the money entered, the handling of the financing was not the candidate's business; therefore, his responsibility could reach the political realm, but not the penal realm. Even if the Prosecutor General's Office thinks that there is merit, because a violation of legal or constitutional rules occurred in the case of the president, the evaluation of these case records is in the hands of the Accusations Committee of the House of Representatives. The House, in turn, if it finds merit for taking action against him, would send the case to the Senate plenary body. The Senate must determine by a majority whether to submit it to the Supreme Court, so as to have the respective judgment made.

Although no one knows for certain what evidence the Prosecutor General's Office has, it is predictable that if it is not totally hard, none of these bodies will vote to have a suit brought against Ernesto Samper. Medina's testimony is not hard evidence against the president. The Accusations Committee has little credibility with the public, because it is a body with a Liberal majority. However, even if it were controlled by the opposition, the president would surely acquit himself well. Hence, the prospect is that the case records against the chief executive will be rapidly shelved in the Accusations Committee, without even reaching the Senate. And even if there should be a trial, Samper has the solidarity of his party in the Congress, and the support of much of the public. Even though he was losing last week, he may have recovered with the capture of Miguel Rodriguez.

Then why, even before that capture, was there talk everywhere about a possible fall of the government? Simply because the informed public opinion and international opinion were, in fact, becoming radicalized against it. Among business owners, boards of directors, professionals, university intellectuals, and other sectors, a strong indignation was being generated after Medina's unsworn statement. Without waiting for the verdicts of the justice system to arrive, they thought that Ernesto Samper should assume some responsibility for what had occurred. Those sectors do not doubt that the 5 billion pesos entered, and it seems to them to be equally serious whether he knew or did not know. They do not believe that amounts of that magnitude could enter against anyone's will, and it seems unlikely to them that a few drug traffickers would make such an investment without being sure that the beneficiaries knew about it.

On the other hand, the only thing Colombia was not expecting was a shift in position toward the phenomenon of the hot money. All the campaigns had received it in different degrees. But just when the historic moment required a slam on the brakes, what occurred, as the disclosures of recent days seem to indicate, was unbridled momentum.

An additional difficulty is international public opinion. Colombia had always been beset by reputation problems, because it was considered a "narco"-democracy. And never had the international news media been able to use that description in such overt terms as they did last week. From an international standpoint, the interpretations are simplistic. If the campaign treasurer says that it was financed with money from the Cali Cartel, the international media believe him, period. And on account of this, some of those media have put Samper in the category of a "narco"-president, creating a situation that harms not only Ernesto Samper but the country as a whole.

That Ernesto Samper should be labeled a "narco"-president is one of the great ironies of life. That term is applied to chief executives who benefit personally from the business, or to those directing their governmental action to benefit the interests of the drug traffic. In the case of Samper, it is quite the contrary. His personal economic assets are almost as meager today as those of Marco Fidel Suarez when he retired from the government during the 1920's. And as for his conduct as a ruler, the capture of Miguel Rodriguez confirms that, not only did he not benefit the cartel, which allegedly financed him, but he virtually liquidated it. However, this latter acknowledgment could be more difficult to obtain abroad than in Colombia today.

The Consequences

The fact that considerable sectors of the local and international public were challenging the president so harshly before Miguel Rodriguez' capture has had serious consequences for the functioning of Colombia. At the present time, almost no one of distinction would accept a ministry. The replacement of Defense Minister Fernando Botero alone has become an odd spectacle. The government is afraid to offer the position to anyone who would reject it, because of the damage that such a refusal might cause to the president's image. At the same time, many opportunists hint that it was offered to them, when that is untrue. This vicious circle is an immediate reaction to Medina's bombshell, and it will have to change quickly, especially after the capture of Miguel Rodriguez.

The poor international image has its consequences as well. Any Samper tour abroad could have a lukewarm reception from now on. It is not impossible that this factor may influence events such as the Summit of Nonaligned Countries, which Colombia will be hosting in October. Unless this Sunday's blow restores the president's prestige, there could be much bad press, and even cancellations.

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Conclusion

All the preceding warrants reaching the conclusion that, for the present, the government is viable but weak. And a weak government that has just completed a year of its term is a serious problem, especially in a country with constant threats from the guerrilla movement and the drug traffic.

What is certain is that the present situation cannot go on indefinitely. Hence the urgent need for the Prosecutor General's Office to hasten the investigations, and extricate the country from the suspense. The view tending to become widespread is that, if it is incontrovertibly proven that 5 billion pesos from the Cali Cartel entered the election campaign, the situation of the president of the republic would be gravely jeopardized, even if all this did occur behind his back. Confronted with circumstances this serious, his political responsibility cannot be evaded by the mere fact that he bears no penal responsibility.

Therefore, the debate should be focused not only on Ernesto Samper's knowledge of the possible irregularities, but also on the determination of whether or not they took place in the proportions depicted for them by Santiago Medina. It is already an indisputable fact that, before finishing his first year in government, Ernesto Samper put an end to the Cali Cartel, which was considered both in Colombia and abroad as the most powerful criminal organization on the planet. If, during the next few weeks, the Prosecutor General's Office confirms that Santiago Medina's revelations have solid grounds, Colombians will have to decide (amid the historic paradox between the victory over the cartel and the accusations regarding the campaign funds) whether to grant the president of the republic heaven, for the former, or hell for the latter.

Peru

New Role of Ecuador-Peru Military Observers Mission Defined

PY2208185595 Lima Radio Programas del Peru Network in Spanish 1700 GMT 22 Aug 95

[FBIS Translated Text] The Ecuadoran and Peruvian ambassadors in Brasilia, Cesar Valdivieso and Alejandro Gordillo respectively, today signed an agreement defining the new role of the Ecuadoran-Peruvian Military Observers Mission of the Rio de Janeiro Protocol.

The agreement, which is called the Definition of Procedures of the Ecuador-Peru Military Observers Mission, was signed by the ambassadors of the two countries.

The agreement establishes that the new mission, which includes military observers of Ecuador and Peru, will verify the suspension of military operations and recommend a withdraw of forces to prevent the emergence of new focus of tension along the border region of the two countries.

Interest Groups React to Fujimori's Speech

95SM0460A (Internet) Peru DESCO Gopher in Spanish 3 Aug 95

[From Resumen Semanal 18-31 July]

[FBIS Translated Text]

The Businessmen's View

"This was a conceptual message that provided no real details but created an awareness that the country is ready for a new beginning based on modernity and efficiency." This was how Arturo Woodman, the president of Confiep [National Confederation of Private Business], assessed the message delivered by President Fujimori. He said, however, that he hoped for "further details about the method of converting the export sector into a factor in the country's development."

For his part, Eduardo Farah, who was recently elected president of the National Industries Association, expressed satisfaction with President Fujimori's message, particularly the announcement that the export sector will be the principal motive force for economic growth. Farah indicated that despite the brevity of the president's message, concrete actions, such as the construction of 10,000 kilometers of roads, were discussed.

Miguel Vega Alvear, the president of the private consulting firm Pro Desarrollo [For Development], stated that the president's message was "positive and encouraging, because it demonstrated that the transition toward an open society is under way." After noting that President Fujimori's speech ignored some basic political issues, such as the excessive concentration of power in the hands of a few, and the need to transfer resources to the interior of the country, he maintained that certain adjustments must be made in the economic sector "in order to effect a real transition toward taking the politics out of savings, investments, and labor." (Most dailies 29 July 95)

The Economists' Opinions

Economists and analysts believe that President Fujimori's message, while it did indeed reflect positive intentions, specifically in the social sector, contained great inconsistencies between the actions proposed and the actual economic and social situation of the country. In the opinion of Javier Iguiniz, the dean of the Faculty of Economics at Catholic University, one of these inconsistencies was revealed by the reference to a productive

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revolution and the small farmers, and the statement that the government policy never intended to allow the small farmers to be swept away by the large enterprises. "At the present time, there is no productive revolution. Instead, the current policy is based on natural resources on a large scale and on the leading foreign and domestic businessmen," he said. "In this same connection, when Fujimori says he wants a proposal that is simultaneously universal and indigenous, I believe that this is inconsistent with the disproportionate benefits provided to the importers as compared to the exporters," he added.

In the opinion of Francisco Sagasti, the director of the GRADE [Andean Development Group], what little mention there was in this speech of the economic sector raises a question. "Will we be able to obtain the resources needed to keep these social promises? Fujimori did not say." He also said he thinks Fujimori has interpreted the facts to mean that 64.4 percent of the people directly endorse his style of government. "He spoke about the government leader's physical participation and of a general and executive state. This suggests that the chief executive plans to continue governing without any change in the style characteristic of him thus far," Sagasti said.

For his part, Manuel Romero Caro, the editor of the daily newspaper GESTION, emphasized that the speech focused repeatedly on the complex aspects of poverty, which he said he intends to reduce by 50 percent by the year 2000 based on the generation of jobs. But the absence from the address of any discussion of a mechanism for reactivating the export sector was quite notable.

In the opinion of Juan Jose Marthans, director of the Economic Program at the University of Lima, the most important omission was some indication of the direction foreign-trade policy will take in the next five years. This is important because, in order to dispel the present uncertainties, the economic agents involved in export activity need to know what measures are planned for the future.

In the opinion of Humberto Campodonico, the DESCO [Center for Development Studies and Promotion] analyst, President Fujimori's message was extremely generic and imprecise. He noted that no specific information about Peru's foreign debt was provided, and the president suggested no alternative to deal with the current account deficit in the balance of payments the country may experience. (Most dailies 29 July 95)

Politicians Speak Out

Leaders of the opposition political organizations and parties describe President Fujimori's method as "panoramic, superficial, and imprecise." Antero Flores Araoz (PPC [Popular Christian Party]) noted that President Fujimori failed, in part, to meet the constitutional requirement that presidential messages include a "detailed explanation of the situation of the Republic and the improvements and reforms the president feels it is necessary and desirable for the Congress to consider." Felipe Osterling Parodi, the dean of the College of Lawyers, stressed that President Fujimori dealt very briefly with the social sector in his message. "He said practically nothing in this connection, but his government must face this issue and we Peruvians must know how it plans to do it. This is because we are the interested parties and the ones who will be affected by any measure adopted." In the opinion of Manuel Moreyra Loredo, the presidential message was "exceptionally general." Carlos Francos, a member of the CEDEP board, maintained that it was not the president of Peru he was listening to, but the "director of the IMF, the World Bank, and the international financial system." In his opinion, what Fujimori has proposed to the Peruvian people is a "process that will make production more archaic," insofar as the Peruvian worker is not identified as the motive force in development. Instead, this role has been assigned to the primary-export sector—that is to say, mining, fishing, and tourism.

Enrique Bernales, for his part, said that in this instance, the presidential message was rather conciliatory. He added that the most we can hope for, as Peruvians, is that the promises will become a reality characterized by attention to and respect for the peasants, as was the case with the agricultural revolution. He described Fujimori's reference to a democracy supported by 64.6 percent of the population as "incorrect." "No, Mr. Fujimori. In a democratic system, the president of the Republic does not govern on behalf of a certain percentage of the population, but governs for 100 percent of the people. Your concept of democracy is wrong—it is too limited and restricted," he said. According to Agustin Haya de la Torre, "There is no evaluation of the country's situation, other than an attempt to find solace in the control of inflation and terrorism, because the authoritarian government leader offered no explanation of the severe deficits in the balance of payments and current account balance," he emphasized. (LA REPUBLICA 29 July 95)

The Bishops' Views

The bishops of Peru have risen up in protest against the birth control measures announced by President Fujimori. Monsignor Hugo Garaycoa, the bishop of Tacna, warned that the plans for birth control announced by President Fujimori might initiate a clash between

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the Church and the Catholic people and the government. This firm position was shared by the bishops of Huanuco, Chimbote, and Huaraz, who also joined in demanding that greater concern be devoted to the education of Peruvian women, rather than applying coercive methods to the right to motherhood. The solution to this problem, according to the bishop of Tacna, is not control by the state, but education of the family. He recognized the fact that the laws governing the state of Peru do not allow abortion. Monsignor Garaycoa said he believes the chief of state owes the country an explanation. In this connection, he urged the president to clarify the issue of broad diffusion of the methods of family planning mentioned in his address.

In his analysis of the problem of birth control, Monsignor Herman Artale, the bishop of Huanuco, said that its inclusion in the president's address was dictated by the foreign interests of international financial groups. Monsignor Luis Bambaren, the bishop of the Chimbote Diocese, said that the encouragement of responsible fatherhood is even more important than using noncontraceptive methods for family planning. "Responsible fatherhood can only be achieved by providing children with sex education in the family itself and in the schools. This should be promoted by the government through the Ministry of Education," he explained. For his part, Father Gregorio Mezarina Paredes, who devotes his time to the work of evangelizing the peasant communities in the Huaylas Callejon, said that the government should concern itself with educating Peruvian women instead of sponsoring family planning and birth control. (LA REPUBLICA 30 July 95)

Archbishop of Ayacucho Juan Luis Cipriani said that the Church "must oppose" the massive dissemination of methods of family planning "because this is not the solution to the problems posed by the birth of homeless creatures." However, he admitted that birth control is important, and said he is "happy" that the issue "is finally being included in national discussions and analyses." "This should not be made a political matter," he commented, "because it is not a matter of sacred cows or taboos or hypocrisy. Instead, the reality reveals that there are males who are "mere reproductive agents," and yet there are no laws to protect women, families, and the institution of marriage," the archbishop said in a homily delivered at the Cathedral of Ayacucho. Monsignor Cipriani urged contemplation of the issue with a view to achieving "a more careful understanding of what the problem is and what the solution might be. Because what is at stake here is human life, the dignity of women, and the existence of thousands of children who lack food and clothing and are not the product of established families. The fathers of families," he added, "must assume their responsibilities." (EXPRESO 31 July 95)

Shining Path's Future Analyzed

95SMO460B Lima CARETAS in Spanish 26 Jul 95 pp 35-37

[Unattributed article]

[FBIS Translated Text] The most recent actions of the Sendero Luminoso [SL—Shining Path] carried out in coordinated fashion at various points in the country raise the question of the true operational status of this seditious organization. After 12 September 1992, when the specialized police captured Abimael Guzman Reinoso, Peru, as a nation, relaxed. However, the increasing frequency of the blows struck in both the rural sector and the cities is a cause of worry to the population and merits reflection by the experts.

The journalist Gustavo Gorriti summarized the situation in just a few words. The Sendero Luminoso is a convalescing patient.

In his view, the capture of Abimael Guzman changed the attitude of the organization overnight from the expectation of victory to recognition of a reality exceeding its worst nightmares. Its members were plunged into total confusion.

An organization created to carry forward a rebellion based on the Maoist doctrine of prolonged popular warfare suddenly found itself committed exclusively to efforts to protect the life of its highest leader. Abimael Guzman had become a kind of hostage of the government, and the membership of his organization was paralyzed.

The political analyst Carlos Tapia says that the question is whether the organization has succeeded in freeing itself from the traditional plan drafted by Abimael Guzman and based on warfare waged in the mountain zones with a concentration of peasants. If, as the most recent information seems to indicate, the Sendero Luminoso has concentrated its principal bases in Huallaga, Tapia said, it would mean, in his opinion, that the organization is "going Colombian." In other words, it is no longer attempting to consolidate bases of support, but is focusing on relatively mobile guerrilla units with contacts in the rural settlements. It is no longer trying to establish the authority of the organization, as it was that effort that led to the defeat of the organization in the mountains when it became necessary to deal with the peasant patrols.

Feliciano has about a sixth of the power the Sendero Luminoso boasted in 1991, and he has an army of

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approximately 700 men. On the other hand, it is said that there are about 1,200 men being held in reserve, awaiting the completion of the peace agreement. There is every indication that Feliciano is concentrating again on those who occupied the middle ground, attempting to win over the faction waiting for the realization of the peace agreement.

By so doing, Feliciano is providing Abimael Guzman with more maneuvering room for his negotiations from prison. Since his capture, the tactic used by the SIN [National Intelligence Service] has been negotiation of the peace agreement in an effort to divide the Sendero Luminoso. This has proven successful in the short run, for the purposes of the government's domestic policies, above all. However, for the medium and longer term, it has allowed Feliciano greater freedom of action. In other words, it has not weakened the free members of the organization, but has allowed them to build an organization with faces that are not known to the security forces.

Tapia thinks that the question of who benefits from the peace agreement should be reconsidered, starting from the fact that the Intelligence Service and Abimael Guzman each had a specific strategy in mind on sitting down to negotiate.

The Myth of Leadership

During the second stage of the peace-accord negotiations, a struggle developed within the Sendero Luminoso. The result, Gustavo Gorriti says, was that the maximalist sectors, presumably rallied around Oscar Ramirez Durand, succeeded in overcoming the Oedipus complex that had bound them to Guzman. When this kind of greater independence in action and strategy developed because of Guzman's personal situation, the spell that had kept the organization paralyzed for a time was broken. But this was an organization that had eroded. It had lost a vast quantity of cadres, and morale had sunk as low as it could.

Now it is an organization that is beginning to stammer and is starting again to take its first steps.

However, it is also an organization that, beginning at the end of 1992, has succeeded in reorganizing its central committee. Since that time, it has demonstrated that it still has the capacity to carry out basic recruiting activities. And there is a certain ability to separate itself from the sector that wanted to see the peace agreement realized. And toward the end of 1994 and 1995, it began to show that it can undertake coordinated actions in various parts of the country.

Is Feliciano the Leader?

The police and the media refer to Oscar Ramirez Durand as the new leader of the Shining Path. Gorriti and Tapia believe that the new Senderist leadership should be examined more carefully.

Gorriti says that "I am not absolutely sure that Feliciano is the new chief. I do not believe that anyone could be," he adds. "My doubts are based on the concept of leadership governing the Shining Path. For that organization, the leader is the product of a long process of elimination, ideological struggle, and resolution of theoretical problems.

"I can envision Ramirez Durand as the first among equals,' but I do not see him in the exalted role Guzman played. The organization cannot abandon the Gonzalo ideology. What it must have is a major leader who is a surviving member of the old political commission. However, I am not certain that Ramirez Durand has been a entrusted with a level of authority close to that formerly enjoyed by Guzman," Gorriti says.

Tapia, in turn, says that Feliciano cannot claim to have taken over as the leader from Abimael. The Shining Path has maintained since 1984 that party leadership is not an elective matter but "the product of historic necessity." In addition, Guzman headed the Central Committee, the National Military Commission, and the Organization Commission of the Popular Republic of Peru. It would therefore be hard for Feliciano to appoint himself leader, because that position is closely linked with Gonzalo's thinking.

The members of the Shining Path now in prison say that Gonzalo's body of thought survives, embodied in the person of Abimael Guzman. And Feliciano says that Gonzalo's thinking is now the inspiration for the party as a whole.

On the other hand, Tapia adds, Feliciano has been a member of the Permanent Committee of the Sendero Luminoso since 1979; and, for the past 10 years, he has headed the so-called Principal Committee of the Sendero Luminoso in Ayacucho, where 60 percent of the rank and file of the Shining Path are to be found. Guzman was not about to assign this responsibility to anyone lacking the necessary qualifications or internal leadership capacity.

In the documents of the Third Plenary Session of the Central Committee of the Sendero Luminoso, Guzman criticized Feliciano's failure to understand the importance of the base of support. Feliciano's sole concern, he said, was the organization of a sufficiently efficient military force. What the recent attacks prove is that

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Feliciano is indeed capable of rebuilding his party's strength.

Where Growth Is Possible

The SL can win back its ability to operate as guerrilla units, Gustavo Gorriti thinks, while simultaneously carrying out recruiting operations. What is most probable is that the organization will undertake actions in the zones where it is strongest, such as Alto Huallaga and Huallaga Central, or other locations in the forest. Its members are also trying to infiltrate the marginal slum areas. Gorriti thinks they will try to do what any guerrilla organization does—seek to strengthen itself at the points of least resistance.

In the localities where the organization has already created profound fear and hostility; where the popular organizations alone, or with the aid of the security forces, have formed self-defense organizations; or where there has been a history of opposition to it, Gorriti says, the SL will find recovery much more difficult.

Carlos Tapia explains that the Shining Path suffered defeat at the hands of the self-defense committees in the Apurimac River valley, as well as in the mountains in Junin, Huancavelica, and Ayacucho.

Gorriti describes the Shining Path as an anemic organization that is beginning a precarious convalescence following a serious illness. However, it still has the will to continue the fight. Therefore, he believes that the history of other organizations that have succeeded in recovering from even worse situations should be studied. What would be wrong would be to ignore the problem and leave its analysis to the agents of disinformation and the psychological operators in the intelligence services, Gorriti concludes.

The Drug-Trafficking Zones

Carlos Tapia says that in the Huallaga zone, the Shining Path still has a presence, but one that has been "shrunk" by the security forces. The columns that have attacked police stations and military patrols recently are not new units, but are made up of personnel who have come out of hiding.

Their continued presence here is explained by the relationships they maintain with the drug traffickers and the peasants who cultivate the coca plant.

It has been the policy of the Shining Path to defend the interests of the peasants who grow coca. Subsequently, encouraged by the SL, these peasants became primary processors of basic coca paste.

However, this has had a profound effect on the organization. As soon as an organization begins to protect an illegal business, corruption of a strategic nature begins to develop, and in the end, the original central purpose of its activities becomes secondary, Gorriti maintains.

The SL Has Changed

The Shining Path is aware of its weakness and is now acting with greater caution, Gorriti says. But as it emerges from a substantive trauma, it is making use of the experience acquired. Many of its current actions are similar to those in the past but they do not match them in level. What Gorriti sees, he says, is an organization that has lost a great deal of its strength, but still has enough capacity for operational coordination to allow it to carry out periodic actions.

It is a fact that the organization has more experience now, but society has more experience, as well, along with a better understanding of how to deal with this kind of organization. The worst thing we could do would be to lower our guard.

How To Defeat the SL

Both experts agree on certain points that are essential parts of a basis for any strategy designed to do away with the Sendero Luminoso.

—The formula requires a democratic government. Society must force the government to be much more open about its analyses of the status of the war. The struggle against the Shining Path is a task for the people as whole. Discussion and debate about the situation of any enemy is the duty of all of society, except when certain issues pertaining to operational security are involved.

—It is also essential that the GEIN [Special Intelligence Groups] of the Dincote [National Counterterrorism Directorate] be reestablished and given added authority. This is because it has demonstrated that it is a successful, capable, and determining factor in the development of the war. Actions such as the dismantling of the organization of Colonel Benedicto Jimenez and his men and the reprisals against them cannot be tolerated.

—Another crucial factor is the strengthening of the social organizations at the base level. Social rejection by society is essential, and it must be active rejection.

Where the popular sectors have been organized, the Shining Path has found consolidation difficult. What is needed, therefore, is the promotion of democracy at the base level and the consolidation of the popular organizations, so that the Senderists can be isolated socially.

—In the military sector, antisubversive forces must be provided with special training in guerrilla warfare in the forest areas. The fact that an army truck could

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be ambushed using 1982 methods 15 years after the beginning of the war is unacceptable. Tactical errors are being made in the deployment process.

—Care must be taken to avoid errors. The statement that Guzman will be dead within three years provides support for the Senderists' argument that the peace agreement is nothing more than a deception concocted by the government. It helps the Senderists who oppose the agreement to persuade those who are undecided that the government has no plans to kill "President Gonzalo."

In short, an effort must be made to make use of the best of the experience that almost led to the liquidation of the Sendero Luminoso in 1992 and 1993 when Abimael Guzman and other top Senderist leaders were arrested.

Future Role of Armed Forces Discussed

95SM0460C Lima CARETAS in Spanish 26 Jul 95 pp 72-73

[Article By Fernando Rospigliosi: "The Armed Forces in the Year 2000—Professionals or Conscripts?"]

[FBIS Translated Text] The recent conflict with Ecuador revealed the problems being experienced by the Peruvian Armed Forces [FFAA], which have for more than a decade borne the principal weight of the war against the subversives. Also, during the most recent terms of government, they have experienced harsh budget cuts as a result of the extended economic crisis. But in addition to these specific problems, army reorganization as a function of two factors is being discussed all over the world. One of these factors is the end of the Cold War, and the other is the process of reducing the dimensions of the state, which entails a reduction of military expenditures. What should the profile of the Peruvian Armed Forces be in the year 2000? Do we need armed branches that are smaller and more technologically developed, or should we continue to have obligatory military service [SMO]. And if the latter, what changes should be introduced in the system?

As a result of the armed conflict with our northern neighbor, there has been much discussion about the nature of the weapons systems used by our armed branches and the need to replace or modernize them. However, the most important problem involves the human factor. It is men who handle the weapons, draft the plans, and—when the need arises—make the operational decisions.

Specifically, this poses the question of whether we should continue with the current scheme, basing our military forces on compulsory military service, or attempt to professionalize our armed branches.

England and the Falkland Islands

An officer in the FFAA, who asked not to be identified, told CARETAS that the most important characteristic of a modern military force is efficiency. In his opinion, this means we must professionalize our armed branches, and this entails eliminating SMO [expansion not given]. "The cost may be greater, but if we want to be certain that we would truly be equal to any potential aggression, we must pay the price," he said.

The system we are using here is based on the massive Napoleonic militia concept, this officer added. This concept is no longer applicable to modern warfare. We saw proof of this most recently in the Falkland Islands, where a small professional force that had to deploy over thousands of kilometers defeated a conscript army.

From this perspective, what is needed is truly specialized units that are, by their very nature, small. The British Marines, for example, have a total strength of only 4,500 men. Peru has about half of the British troop strength, more or less, as it is a small country and not a world power. The British have only two elite corps with specific roles—the Special Parachute Service [SPS] and the Special Air Service [SAS].

Special units proliferated in our military branches and then increased in size, thus losing their reason for existence.

Israel and Taiwan

General Walter Ledesma (Ret) agrees that the Armed Forces must be modernized, but he believes we should retain SMO. In his view, serving as conscripts disciplines young people and instills patriotic values in them.

Ledesma maintains that the experience of countries such as Taiwan and Israel should be studied. Taiwan has an army of 800,000 men and 2.3 million trained and equipped reservists, with a population of 230 million, comparable to that of Peru.

The Israeli system is also based on two years' SMO. But during the first year of service, some recruits are selected to study to be officers during their second year of service. They then serve an additional year as sublieutenants. At the end of this third year, some of these sublieutenants sign a commitment to serve in the Army for an additional five years.

Officer Problems

At the beginning of the 1970s, the Peruvian FFAA made it mandatory that new conscripts be able to read and write. Before that, illiterates were also recruited, and they were educated by the Army in the barracks. The process of technological modernization with the

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concomitant purchase of new Soviet weapons made this change necessary.

But a problem continues to exist. As a result of the deterioration in the quality of education in Peru, affecting in particular the lower-income strata (those that supply the SMO contingents), there are problems with the handling of relatively sophisticated weaponry.

However, there are problems in addition to those with the military rank and file. The Peruvian FFAA are having great difficulty in recruiting officers. A number of factors have exerted an influence over the past 15 years, including:

—The progressive reductions in military pay, which is lower in Peru than in almost all of the other South American countries;

—The war against the subversives;

—The deterioration in patriotic values and the predominance of "pragmatism" among the young people.

As a result, a military career is not viewed as very attractive, and the number of applicants to military schools has dropped substantially, as has the quality of the applicants. This is true to the extent that four years ago, the sites for entrance examinations had to be decentralized. Now the examinations are also given in the capitals of the military regions in the provinces.

Whichever of the options under discussion is adopted, the essential thing is to reverse this situation that is seriously affecting the professional quality and efficiency of the Peruvian Armed Forces.

Venezuela

Finance Minister on Need for Budget Review Policy

PA2208195595 Caracas Venezolana de Television Network in Spanish 1550 GMT 17 Aug 95

[Report by Pedro Prado from "The News" newscast]

[FBIS Translated Text] Finance Minister Luis Raul Matos Azocar has said the country needs to implement a policy of reviewing a package of laws that make the budget firm and on how it is discussed in the National Congress. The minister has dismissed the statements by Finance Committee Chairman Gustavo Tarre Briceno that the public administration will collapse because the authorities involved have traditionally carved out the budget for themselves, something which does not happen anywhere else on Earth; thus, Matos has said, this budget has a limit that can be enlarged so as to avoid the scramble prompted by political patronage:

[Begin Matos recording] Instead of adopting our proposal to work together to modify the traditional process of preparing the budget—as I have said, the package of laws through the commission we had already agreed on in principle—Congress is moving away from that position, as Deputy Tarre seems to be doing today. Congress is free to revamp the budget. [end recording]

It is important to explain that revamping the budget would mean the budget approved for the previous year would be in effect during the first three months of the year. In this case, the 1995 budget would be in force during the first 90 days of 1996.

Guyana

Cyanide Spill in Essequibo River Basin Viewed

President Declares Disaster Area

PA2308133795 Mexico City NOTIMEX in Spanish 0301 GMT 23 Aug 95

[FBIS Translated Text] Georgetown, 22 Aug (NOTIMEX) — Guyanese President Cheddi Jagan today declared the Essequibo River Basin, bordering with Venezuela, an environmental disaster area, after the detection of a cyanide spill from a mine last week.

"After reviewing the reports, I would like to announce that the zone affected by this spill will be regarded as an environmental disaster area in the national interest," the Guyanese president said.

The spill, which occurred last Sunday, made it necessary to close the "Omai gold mines," one of the largest in South America, for six months. More than $3 million in ounces of gold will be lost as a result.

Another area affected was the Bartica River, which supplies the Bartica mining area with water.

"Omai will not be the only one to judge its actions. We have independent supervisors in the field. The enterprise owning the mine is responsible for adopting measures for the safety of the workers and to protect the environment," Jagan said.

The Canadian company that owns the mine announced a few hours ago it has designed a plan to reduce the potency of the substance, which could seriously affect the water environment.

Several sailors have reported seeing the river waters within a radius of 40 km from where the cyanide spill occurred.

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More on Declared Disaster Zone

FL2308153795 Bridgetown CANA in English 1459 GMT 23 Aug 95

[All quotation marks as received]

[FBIS Transcribed Text] Georgetown, Guyana, Aug 23, CANA — The Guyana Government has declared the Omai spill area a disaster zone five days after a massive cyanide-waste spill at Omai Gold Mines in Guyana's interior started dumping millions of gallons of water tainted with the deadly chemical into the Essequibo River.

President Cheddi Jagan in a Tuesday night radio and television address to the nation, said the cabinet took a "very serious view of the situation".

"After considering the various reports, and taking all the factors into consideration, I wish to announce that, in the national interest, the area affected by this spillage will for the foreseeable future, be deemed an environmental disaster zone".

President Jagan's announcement comes two days after Prime Minister Sam Hinds, who holds responsibility for the mining sector, told newsmen that the government would have taken at least a week to decide, "taking into account all the facts" whether to declare the Omai spill area a disaster zone. Jagan, who chaired a special cabinet meeting Tuesday to discuss the disaster, expressed alarm that Omai Gold Mines was experiencing the second major cyanide spill in two months.

"My government has time and time again expressed concerns over some of the investments made before the PPP [People's Progressive Party]/Civic government took office...I want to repeat that we will ensure that they respect our people, laws and environment," the subdued looking chief executive said.

Though Jagan did not specify what steps the government was taking to tackle the disaster in Guyana's hinterland, he said the government had asked for immediate international assistance to deal with the disaster. "We have already been in touch with regional and international agencies seeking the assistance to deal with the emergency," Jagan disclosed. He added that a permanent inter-agency disaster control committee, headed by Prime Minister Hinds has been established to monitor the Omai disaster.

The Jagan government will also initiate a "full parliamentary debate" on the situation when parliament meets Thursday. Jagan promised to begin consultations with opposition parties to come up with a national consensus on government measures to deal with the Omai crisis.

The head of state sounded a warning to Omai that the majority-Canadian owned company "will not be the only judge of its actions". "We have independent monitors on the ground and we are taking their reports seriously," Jagan said.

"Omai Gold Mines Limited has the responsibility to take certain measures to ensure the safety of workers and others and to protect the environment. And the government has the responsibility to see that commitments are carried out," Jagan said.

'The Killing and the Dying Has Begun'

FL2308201695 Bridgetown CANA in English 1908 GMT 23 Aug 95

[FBIS Transcribed Text] Georgetown, Guyana, Aug 23, CANA — Co-leader of the opposition Working People's Alliance (WPA), Dr. Rupert Roopnarine, is calling for freezing all the assets of Omai Gold Mines Limited in Guyana following a cyanide spill last Saturday that continues to send millions of gallons of the hazardous chemical into the Essequibo River. Speaking to CANA Wednesday from a picket line mounted by the WPA and a number of Amerindian organisations outside of Omai Gold Mines Limited (OMGL) main office in the capital, Roopnarine called on the Jagan government to seize all of Omai gold produced in Guyana. Roopnarine said that his party was relieved that President Cheddi Jagan has declared the Omai spill area a disaster zone.

"I believe that the president has taken a step in the right direction. I am happy to get away from all of that vacillation and nonsense which we heard from the prime minister. The president at least has forthrightly called it a disaster zone. I see that they have agreed to bring the matter to the Parliament for a full debate. That also is long overdue. We still believe that there is a case to be made for the airdrop of pamplets over the entire area and we have to ensure that we go into the more remote areas ... because as far as I am aware, the killing and the dying has begun," Roopnarine said.

He referred to reports coming out of the interior of "herds of wild hogs floating belly-up in the river" and that thousands of fish are beginning to surface. A report in Wednesday's state-owned Guyana CHRONICLE spoke about miners along the Essequibo River seeing dead wild hogs and fishes floating in the river.

"We also know that citizens are continuing to wash and bathe and travel in that water and they must be made to understand that the water can harm them whether they drink it or not... It is going to be extremely distressing."

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Roopnarine said that there could be no talk now of re-opening operations at Omai because as he put it, cleaning will require a quarter of a century of hard work.

"It is going to cost 2 billion Guyana dollars. I don't want to hear about Guyana having to find money or look for money to cover these things. These costs must be covered by Omai from beginning to end. They are responsible for every expense incurred in this disaster, and we must make that clear to them."

And leader of the opposition United Force (TUF), Manzoor Nadir, told CANA that while his party welcomed the announcement by the president that the area of the cyanide spill is a disaster area, he felt that the government is not tackling the situation as a national disaster.

"The Army should have been mobilised to fan out into all the communities in order to ensure that people get potable water," Nadir emphasised. He accused Omai authorities of only paying attention to containing the spill and not paying enough attention to the affected communities.

Meanwhile, an Omai official told CANA Tuesday that cyanide-effluent was still escaping into the Essequibo River "at a greatly reduced rate."

No 'Provisions for Punitive Damages'

FL2308222095 Bridgetown CANA in English 2101 GMT 23 Aug 95

[By Clive Bacchus]

[FBIS Transcribed Text] Georgetown, Guyana, Aug 23, CANA — A consultant who helped frame the Omai Gold Mines contract said Wednesday the agreement does not make provisions for punitive damages, but Omai has a responsibility to make compensation for any damage to the environment caused by the cyanide spill into the Essequibo river. Winston King, former executive chairman of the Guyana Natural Resources Agency (GNRA), told the Caribbean News Agency (CANA) the contract binds Omai to operate within the framework of local laws.

"In terms of punitive damages, there are other laws. What the agreement says is that the company will operate within the local law, whatever is the law," King explained. King, now a partner in a local consultancy firm, said in relation to damages that are non-punitive, compensation is based on discussions and an assessment of the damage. He referred to a clause in the Omai agreement which said "the company shall preserve and protect the natural environmental conditions of the mining area and take such corrective action from time to time before the relinquishment of the mining area as may be necessary for soil conservation and to reduce stream and air pollution".

Another clause in the contract states: "The company, that is Omai, hereby covenants and undertakes as follows, that it shall assume liability for any damage caused by its servants or agents in violating its obligations under this agreement and the company shall hold the government and the (geology and mines) commission harmless from any suits for injury or claims for damage to person or property resulting from or in connection with operations thereunder."

The agreement was framed by Omai and the main opposition Peoples National Congress (PNC) government which lost power in the 1992 general elections.

A top legal source told CANA Wednesday it was too early to look into the legal consequences since the reasons why the spillage occurred would have to be ascertained first.

"If the factual matrix shows that Omai was guilty of either negligence or nuisance, the law is very clear, that anybody who causes damage to a person ... Is liable for the consequences of it, and that has no limits," the source said.

The cyanide spill from Omai sent milllions of gallons of cyanide effluent into Guyana's largest river after the Tailings Pond dam at the mine broke late Saturday night.

Gold Mine Stock Plunges

FL2308223095 Bridgetown CANA in English 2115 GMT 23 Aug 95

[FBIS Transcribed Text] Georgetown, Guyana, Aug 23, CANA — As hazardous cyanide waste from the spillage at Omai Gold Mines Limited (OMGL) mine in the Guyana Jungle continues to pour into the Omai and Essequibo Rivers despite frantic efforts by the company to stem the flow, residents of Bartica, 90 miles from the mine site, have reported seeing hundreds of dead fish in the river. A top government official at Bartica told CANA Wednesday that residents of the community of 20,000 souls have spotted large amounts of dead fish floating in the river.

"I can confirm that people here have seen large amounts of dead fish floating in the river and some residents along the bank close to Bartica have reported incidents of alligators and caimans (a type of crocodile) leaving the river," regional chairman Brentnol Archer told the Caribbean News Agency. Tuesday, Archer had told CANA that the water at Bartica was "only slightly discoloured." But on Wednesday, Archer said that with the cyanide-tainted effluent moving downstream from

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Omai, the water in the Essequibo River flowing past Bartica is now "heavily discoloured and reddish brown."

Wednesday morning, scores of residents of the mining community, referred to here as "the gateway into interior," staged a noisy demonstration during a visit to the community by top Omai officials, led by the company's human resources manager, Norman Maclean.

Almost 2 million cubic metres of the deadly slurry have poured into the Essequibo River since Saturday from the breached tailings pond at the Omai mine site, some 150 miles south of the capital in the central Guyana Jungle. Despite this, Omai officials up to Wednesday morning were strenously denying that any animals or fish were found dead in the river.

Newspaper reports and Working People's Alliance (WPA) co-leader Rupert Roopnarine have insisted that miners coming from the area have said that large numbers of wild hogs and fish were seen by the miners and other interior residents "floating belly-up" in the river.

Even though President Cheddi Jagan Tuesday night declared the area affected by the cyanide spill a disaster zone, and top government environmental advisors are "coordinating activities in the area," CANA has so far been struck by the paucity of reports coming from government officials in the area of the spill.

Both opposition parties have spoken about "government's apparent failure to get a grip of the situation" as a state of affairs that could possibly lead to dangerous consequences for the people in the Essequibo region.

Meanwhile, a report in the privately-owned STABROEK NEWS daily quoted the FINANCIAL POST of Canada as reporting that shares of Cambior, Inc., which owned 65 percent of (OGML), and Golden Star resources, 30 percent, have been trading feverishly since Saturday's spill, and prices have plunged. The report says that Cambior and Golden Star have been hit by a massive sell-off on the Toronto Stock Exchange as news of the environmental disaster in Guyana spread in the investment community in Canada. The Guyana Government holds the remaining 5 percent of the shares.

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